

City of Jasper, Texas

Annual Financial Report
Year Ended September 30, 2016

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Introductory Section

City of Jasper, Texas

Principal Officials

September 30, 2016

Randy SayersMayor
Alton Scott. Council Member, City 1
Tommy Schofield Council Member, City 2
Hazel Johnson Council Member, City 3
Raymond Hopson.....Mayor Pro-Term/Council Member, City 4
Mitch McMillon..... Council Member, City 5
Denise Kelley..... City Manager
Karen Pumphrey City Secretary
Robbie Peek Co-City Secretary
Denise Kelley..... Director of Finance

Financial Section



Independent Auditor's Report

The Honorable Mayor and Members of the
City Council and Management 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 (City), as of and for the year ended September 30, 2016, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

The Honorable Mayor and Members of the
City Council and Management 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 City of Jasper, as of September 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4. J. to the financial statements, the financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 City of Jasper's basic financial statements. The Introductory Section and Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

The Honorable Mayor and Members of the
City Council and Management 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 21, 2017 on our consideration of City of Jasper's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 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 City of Jasper's internal control over financial reporting and compliance.

Yours truly,

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas

February 21, 2017

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, 2016. 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 \$56,464,712 (net position). Of this amount, \$27,858,034 (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 \$8,270,965 from current activities. This is due to an increase in governmental activities of \$1,407,031 and an increase in business-type activities of \$6,863,934. Total net position increased by \$266,376 from prior period adjustments as discussed in Note 4.J.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,895,336, an increase of \$884,179 in current operations and an increase of \$266,376 from a prior period adjustment.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,605,042, or 40% of total General Fund expenditures.
- The City's total long-term liabilities decreased by \$858,017 during the fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Jasper, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$56,464,712 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$7,019,003	\$6,262,516	\$28,839,829	\$20,917,571	\$35,858,832	\$27,180,087
Capital assets	11,376,805	11,474,199	20,653,405	21,249,662	32,030,210	32,723,861
Total assets	18,395,808	17,736,715	49,493,234	42,167,233	67,889,042	59,903,948
Total deferred outflows of resources	1,256,104	366,667	986,938	288,096	2,243,042	654,763
Long-term liabilities outstanding	8,942,809	8,817,388	1,834,634	1,102,038	10,777,443	9,919,426
Other liabilities	841,198	1,235,848	1,790,959	1,476,066	2,632,157	2,711,914
Total liabilities	9,784,007	10,053,236	3,625,593	2,578,104	13,409,600	12,631,340
Total deferred inflows of resources	144,352	366,667	113,420	288,096	257,772	654,763
Net position						
Net investment in capital assets	5,034,938	4,472,810	20,653,405	21,249,662	25,688,343	25,722,472
Restricted	2,918,335	2,491,651	-	-	2,918,335	2,491,651
Unrestricted	1,770,280	1,085,685	26,087,754	18,627,563	27,858,034	19,713,248
Total net position	\$9,723,553	\$8,050,146	\$46,741,159	\$39,877,225	\$56,464,712	\$47,927,371

The City's total assets of \$67,889,042 are largely comprised of capital assets, net of accumulated depreciation of \$32,030,210, or 47%. GASB Statement No. 34 requires that all capital assets, including infrastructure, be reported in the government-wide statements.

Long-term liabilities of \$10,777,443 comprise the largest portion of the City's total liabilities of \$13,409,600 at 80%. Of total long-term liabilities, \$1,205,000 is due within one year, with the remainder \$9,572,443 being due over a period of time greater than one year. A more in-depth discussion of long-term debt can be found in the notes to financial statements.

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

An additional portion of the City's net position (5%) represents resources that are subject to external restrictions on how they can be used.

The remaining balance of net position (49%) 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, 2016.

City of Jasper, Texas's Change in Net Position. Governmental and business-type activities combined to increase the City's net position by \$8,270,965 from current operations and increased net position by \$266,376 from prior period adjustments as described in the notes to financial statements. 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	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$ 1,965,324	\$ 1,927,014	\$24,682,562	\$21,761,952	\$26,647,886	\$23,688,966
Operating grants and contributions	329,928	85,015	-	-	329,928	85,015
Capital grants and contributions	87,205	800,328	19,095	135,959	106,300	936,287
General revenues						
Taxes	4,795,489	4,558,609	-	-	4,795,489	4,558,609
Gain on sale of assets	82,108	-	-	-	82,108	-
Proceeds from insurance	73,026	-	35,484	-	108,510	-
Other revenues	25,516	258,754	-	-	25,516	258,754
Investment earnings	13,388	15,205	82,811	45,794	96,199	60,999
Total revenues	7,371,984	7,644,925	24,819,952	21,943,705	32,191,936	29,588,630
Expenses						
General government	938,395	1,002,487	-	-	938,395	1,002,487
Finance	298,743	285,362	-	-	298,743	285,362
Intergovernmental service	469,922	475,646	-	-	469,922	475,646
Community services	1,850,835	1,732,647	-	-	1,850,835	1,732,647
Community development	1,574,439	1,195,887	-	-	1,574,439	1,195,887
Public safety	2,713,477	2,704,458	-	-	2,713,477	2,704,458
Interest and fees on debt	213,041	244,742	-	-	213,041	244,742
Water and sewer	-	-	3,460,633	3,166,444	3,460,633	3,166,444
Light and power	-	-	12,401,486	12,406,068	12,401,486	12,406,068
Total expenses	8,058,852	7,641,229	15,862,119	15,572,512	23,920,971	23,213,741
Increase (decrease) in net position before transfers	(686,868)	3,696	8,957,833	6,371,193	8,270,965	6,374,889
Transfers, net of governmental funds capital contributions	2,093,899	1,115,756	(2,093,899)	(1,115,756)	-	-
Change in net position	1,407,031	1,119,452	6,863,934	5,255,437	8,270,965	6,374,889
Net position - beginning	8,050,146	7,119,552	39,877,225	34,740,820	47,927,371	41,860,372
Prior period adjustments (a)	266,376	(188,858)	-	(119,032)	266,376	(307,890)
Net position - beginning, as restated	8,316,522	6,930,694	39,877,225	34,621,788	48,193,747	41,552,482
Net position - ending	\$ 9,723,553	\$ 8,050,146	\$46,741,159	\$39,877,225	\$56,464,712	\$47,927,371

(a) The restatement of the beginning net position in fiscal year 2015 is the result of the City implementing GASB Statement No. 68 and 71. The restatement in the beginning net position in fiscal year 2016 was to restate beginning sales tax receivable.

Governmental Activities. The City's total revenues were \$7,371,984 from all governmental activities. A significant portion, \$4,795,489 or 65%, of the City's revenue comes from taxes. Charges for services revenue accounts for \$1,965,329, or 27%, of total revenue for governmental activities. The most significant change in governmental activities revenues was the overall decrease in grants and contributions.

The total cost of all governmental programs and services was \$8,058,852. The public safety function accounted for \$2,713,477, or 34% of this total. The community services function accounted for \$1,850,835, or 23% of total expenditures. The most significant change in expenses was the community development function resulting from a project to clean remaining debris from flooding in the area.

Changes in net position increased \$2,093,899 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 \$6,863,934. 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 \$24,682,562 are utilized to provide funds for program expenses of \$15,862,119.

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 \$5,895,336, which is an increase of \$884,179 from current operations and \$266,376 to restate the beginning sales tax receivable. The General Fund is the primary operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,605,042, which represented 76% of total general fund balance. As a measure of the General Fund's liquidity, it may be useful to compare unassigned and total fund balance to total fund expenditures. Unassigned and total fund balance represents 40% and 52% of total General Fund expenditures, respectively. The fund balance of the City's general fund increased by \$649,217 during the current year from current operations. For the most part, transfers from the water and sewer fund were the primary reason for the increase in fund balance as the total revenues did not exceed total expenditures.

The debt service fund has a total fund balance of \$2,161,055 all of which is restricted for the payment of debt service. The fund balance of the debt service fund increased by \$408,663 from current operations. The increase in fund balance was primarily the result of a decrease in scheduled debt payments.

The capital projects fund has a total fund balance of \$295,766, all of which is restricted for capital projects. The decrease in fund balance of \$173,701 results from an increase in capital outlay due to council approved purchases of heavy machinery and vehicles.

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

Unrestricted net position of the Water and Sewer Fund at the end of the current fiscal year amounted to \$1,011,547 and the Light and Power Fund amounted to \$25,076,207. The total decrease for the Water and Sewer Fund was \$578,231, and the total increase for the Light and Power Fund was \$7,442,165. Other factors concerning these funds have been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

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

Over the course of the year, the City appropriately amended its general fund budget. The increases in governmental activities capital outlay in the final amended budget was primarily due to total costs of multiple capital purchases.

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

Capital Assets Long-Term Liabilities, And Pension Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016 amounts to \$32,030,210 (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	
	2016	2015	2016	2015	2016	2015
Land and improvements	\$ 686,340	\$ 563,641	\$ 123,132	\$ 123,132	\$ 809,472	\$ 686,773
Construction in progress	174,410	-	-	-	174,410	-
Buildings and improvements	1,254,594	1,244,462	242,515	257,040	1,497,109	1,501,502
Improvements other than buildings	1,269,246	1,359,365	-	-	1,269,246	1,359,365
Utility systems	-	-	19,138,226	19,847,076	19,138,226	19,847,076
Machinery and equipment	2,946,536	2,533,971	1,149,532	1,022,414	4,096,068	3,556,385
Infrastructure	5,045,679	5,772,760	-	-	5,045,679	5,772,760
Total	\$ 11,376,805	\$ 11,474,199	\$ 20,653,405	\$ 21,249,662	\$ 32,030,210	\$ 32,723,861

Major capital asset purchases during the year included the following:

- Water and sewer system improvements
- Light and power system improvements
- \$1,297,113 Machinery, equipment, and vehicles

Additional information regarding the City's capital assets can be found 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 \$206,800.

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	
	2016	2015	2016	2015	2016	2015
General obligation bonds, net	\$1,625,000	\$1,855,000	\$ -	\$ -	\$ 1,625,000	\$ 1,855,000
Certificates of obligation	5,012,633	5,615,856	-	-	5,012,633	5,615,856
Notes payable	-	-	-	-	-	-
Compensated absences	435,657	458,875	375,224	407,104	810,881	865,979
Other postemployment benefits	297,393	247,499	224,166	191,953	521,559	439,452
Net pension liability	1,572,126	640,158	1,235,244	502,981	2,807,370	1,143,139
Total	\$8,942,809	\$8,817,388	\$1,834,634	\$1,102,038	\$10,777,443	\$ 9,919,426

The City's bonded debt and certificates of obligation decreased \$833,223 during the current year. The key factor in this decrease in scheduled debt payments and no new debt was issued. Pension liability increased primarily due to actual investment earnings being less than projected.

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

Discretely Presented Component Unit

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

Individual statements for JEDCO are included in supplemental information as noted in the table of contents. Additional disclosures for deposits, notes receivable and capital assets are included in the notes to the financial statements as noted in the table of contents.

Economic Factors and Next Year's Budget and Rates

- The total tax rate will be \$.3182 per \$100 valuation in fiscal year 2016-2017 (\$.2157 for maintenance and operations and \$.1025 for interest and sinking).
- The unemployment rate for Jasper County, according to Texas Workforce statistics, is 8.4%, an increase of 1.4% from last year's rate of 7.0%. The state unemployment rate, as recorded by the Bureau of Labor Statistics is 4.6%.
- The state sales tax receipts for the current fiscal year totaled \$3,247,775, an increase of \$153,413 or (5%) from the previous year indicating an increase in the retail economy.

All of these factors were considered in preparing the City of Jasper's budget for 2016-2017 fiscal year.

During the current fiscal year, unassigned fund balance in the General Fund increased to \$2,605,042. The City is estimating revenues of \$6,770,074 and appropriated expenditures of \$6,736,408 in the 2016-2017 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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Jasper EDC
ASSETS				
Cash and cash equivalents	\$ 5,678,226	\$ 25,297,581	\$ 30,975,807	\$ 3,315,197
Receivables (net)				
Property taxes	217,673	-	217,673	-
Sales, franchise, and other taxes	665,248	-	665,248	198,583
Accounts	150,888	1,969,443	2,120,331	-
Court fines	90,958	-	90,958	-
Intergovernmental	118,408	-	118,408	-
Accrued interest receivable	-	-	-	7,733
Other	5,171	29,601	34,772	-
Due from component unit	89,843	-	89,843	-
Internal balances	(753,184)	753,184	-	-
Inventories	25,787	479,271	505,058	-
Notes receivable	-	-	-	483,173
Prepaid items	51,484	-	51,484	-
Restricted Cash:				
Cash - hotel/motel tax	180,238	-	180,238	-
Cash - meter deposits	-	310,749	310,749	-
Cash - grants	56,371	-	56,371	-
Cash - courts	441,892	-	441,892	-
Capital assets not being depreciated				
Land and improvements	686,340	123,132	809,472	110,393
Construction in progress	174,410	-	174,410	-
Capital assets, net of accumulated depreciation				
Buildings and improvements	2,505,889	606,910	3,112,799	-
Improvements other than buildings	4,910,888	-	4,910,888	-
Utility system	-	41,593,550	41,593,550	-
Machinery and equipment	8,795,293	4,402,251	13,197,544	-
Infrastructure	11,302,873	-	11,302,873	-
Industrial park	-	-	-	3,202,753
Signs	-	-	-	18,852
Office equipment	-	-	-	7,807
Accumulated depreciation	<u>(16,998,888)</u>	<u>(26,072,438)</u>	<u>(43,071,326)</u>	<u>(837,540)</u>
Total assets	<u>18,395,808</u>	<u>49,493,234</u>	<u>67,889,042</u>	<u>6,506,951</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activities	1,076,259	845,632	1,921,891	-
Deferred contributions after the measurement date	179,845	141,306	321,151	-
Total deferred outflows of resources	<u>1,256,104</u>	<u>986,938</u>	<u>2,243,042</u>	<u>-</u>
LIABILITIES				
Accounts payable	635,703	1,394,765	2,030,468	-
Escrow liability - seizure funds	34,735	-	34,735	-
Accrued liabilities	125,131	85,445	210,576	2,345
Accrued interest payable	26,162	-	26,162	-
Due to primary government	-	-	-	89,843
Unearned revenue	19,467	-	19,467	-
Payable from restricted assets				
Customer meter deposits	-	310,749	310,749	-
Noncurrent liabilities				
Due within one year	1,055,000	150,000	1,205,000	6,893
Due in more than one year	6,315,683	449,390	6,765,073	-
Net pension liability - long-term	1,572,126	1,235,244	2,807,370	-
Total liabilities	<u>9,784,007</u>	<u>3,625,593</u>	<u>13,409,600</u>	<u>99,081</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activities	144,352	113,420	257,772	-
Total deferred inflows of resources	<u>144,352</u>	<u>113,420</u>	<u>257,772</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	5,034,938	20,653,405	25,688,343	2,502,265
Restricted for				
Debt services	2,239,834	-	2,239,834	-
Hotel/motel tax	180,238	-	180,238	-
Grants and contributions	56,371	-	56,371	-
Courts	441,892	-	441,892	-
Unrestricted	1,770,280	26,087,754	27,858,034	3,905,605
TOTAL NET POSITION	<u>\$ 9,723,553</u>	<u>\$ 46,741,159</u>	<u>\$ 56,464,712</u>	<u>\$ 6,407,870</u>

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

City of Jasper, Texas
Statement of Activities
Year Ended September 30, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities				
General government	\$ 938,395	\$ 169,166	\$ -	\$ -
Finance	298,743	-	-	-
Intergovernmental services	469,922	-	-	-
Community services	1,850,835	1,329,438	67,195	-
Community development	1,574,439	47,672	173,218	87,205
Public safety	2,713,477	419,048	89,515	-
Interest and fees on debt	213,041	-	-	-
Total governmental activities	<u>8,058,852</u>	<u>1,965,324</u>	<u>329,928</u>	<u>87,205</u>
Business-type activities				
Water and sewer	3,460,633	3,424,300	-	19,095
Light and power	12,401,486	21,258,262	-	-
Total business-type activities	<u>15,862,119</u>	<u>24,682,562</u>	<u>-</u>	<u>19,095</u>
TOTAL PRIMARY GOVERNMENT	<u>\$23,920,971</u>	<u>\$26,647,886</u>	<u>\$ 329,928</u>	<u>\$ 106,300</u>
COMPONENT UNIT:				
Jasper Economic Development Corp.	<u>\$ 551,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues
Property taxes
Franchise taxes
Sales taxes
Other taxes
Gain on sale of assets
Proceeds from insurance
Other revenues
Unrestricted investment earnings
Transfers, net of governmental funds capital contributions
Total general revenues and transfers
Change in net position
Net position - beginning
Prior period adjustments
Net position - beginning, as restated

NET POSITION - ENDING

**Net (Expense) Revenue
and Changes in Net Position**

**Component
Unit**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>JEDCO</u>
\$ (769,229)	\$ -	\$ (769,229)	\$ -
(298,743)	-	(298,743)	-
(469,922)	-	(469,922)	-
(454,202)	-	(454,202)	-
(1,266,344)	-	(1,266,344)	-
(2,204,914)	-	(2,204,914)	-
(213,041)	-	(213,041)	-
<u>(5,676,395)</u>	<u>-</u>	<u>(5,676,395)</u>	<u>-</u>
-	(17,238)	(17,238)	-
-	8,856,776	8,856,776	-
-	8,839,538	8,839,538	-
<u>(5,676,395)</u>	<u>8,839,538</u>	<u>3,163,143</u>	<u>-</u>
			<u>(551,502)</u>
1,112,599	-	1,112,599	-
158,137	-	158,137	-
3,247,775	-	3,247,775	1,081,197
276,978	-	276,978	11,600
82,108	-	82,108	15,503
73,026	35,484	108,510	-
25,516	-	25,516	11,428
13,388	82,811	96,199	14,281
2,093,899	(2,093,899)	-	-
<u>7,083,426</u>	<u>(1,975,604)</u>	<u>5,107,822</u>	<u>1,134,009</u>
<u>1,407,031</u>	<u>6,863,934</u>	<u>8,270,965</u>	<u>582,507</u>
8,050,146	39,877,225	47,927,371	5,736,571
266,376	-	266,376	88,792
<u>8,316,522</u>	<u>39,877,225</u>	<u>48,193,747</u>	<u>5,825,363</u>
<u>\$ 9,723,553</u>	<u>\$ 46,741,159</u>	<u>\$ 56,464,712</u>	<u>\$ 6,407,870</u>

City of Jasper, Texas

Balance Sheet - Governmental Funds

September 30, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,367,243	\$ 1,959,267	\$ 351,716	\$ 5,678,226
Receivables (net)				
Property taxes	112,732	104,941	-	217,673
Sales, franchise, and other taxes	462,192	203,056	-	665,248
Accounts	150,888	-	-	150,888
Court fines	90,958	-	-	90,958
Intergovernmental	118,408	-	-	118,408
Other	5,171	-	-	5,171
Due from other funds	1,268	-	-	1,268
Due from component unit	89,843	-	-	89,843
Inventories	25,787	-	-	25,787
Prepaid items	51,484	-	-	51,484
Restricted cash				
Cash - hotel/motel tax	180,238	-	-	180,238
Cash - grants	56,371	-	-	56,371
Cash - courts	441,892	-	-	441,892
TOTAL ASSETS	<u>\$ 5,154,475</u>	<u>\$ 2,267,264</u>	<u>\$ 351,716</u>	<u>\$ 7,773,455</u>
LIABILITIES				
Accounts payable	\$ 579,753	\$ -	\$ 55,950	\$ 635,703
Escrow liability - seizure funds	34,735	-	-	34,735
Accrued liabilities	125,131	-	-	125,131
Due to other funds	753,184	1,268	-	754,452
Unearned revenue	19,467	-	-	19,467
Total liabilities	<u>1,512,270</u>	<u>1,268</u>	<u>55,950</u>	<u>1,569,488</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	112,732	104,941	-	217,673
Unavailable revenue - court fines	90,958	-	-	90,958
Total deferred inflows of resources	<u>203,690</u>	<u>104,941</u>	<u>-</u>	<u>308,631</u>
FUND BALANCES				
Nonspendable inventories	25,787	-	-	25,787
Nonspendable prepaid items	51,484	-	-	51,484
Restricted - debt	-	2,161,055	-	2,161,055
Restricted - capital projects	-	-	295,766	295,766
Restricted - hotel/motel tax	180,238	-	-	180,238
Restricted - grants and contributions	56,371	-	-	56,371
Restricted - courts	441,892	-	-	441,892
Assigned - purchases on order	77,701	-	-	77,701
Unassigned fund balance	2,605,042	-	-	2,605,042
Total fund balances	<u>3,438,515</u>	<u>2,161,055</u>	<u>295,766</u>	<u>5,895,336</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 5,154,475</u>	<u>\$ 2,267,264</u>	<u>\$ 351,716</u>	<u>\$ 7,773,455</u>

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, 2016

TOTAL FUND BALANCES - BALANCE SHEET - GOVERNMENTAL FUNDS

\$5,895,336

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	\$ 28,375,693	
Accumulated depreciation of governmental capital assets	<u>(16,998,888)</u>	11,376,805

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.		217,673
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Court fines receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.		90,958
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Long-term liabilities, including bonds and certificates of obligation payable, compensated absences, OPEB, and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Liabilities at year end related to such items consist of:

Bonds and certificates of obligation	\$ (6,585,000)	
Premium on debt issues	(52,633)	
Accrued interest on debt	(26,162)	
Compensated absences	(435,657)	
Other postemployment benefits (OPEB)	(297,393)	
Net pension liability	<u>(1,572,126)</u>	(8,968,971)

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.		1,256,104
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Deferred inflows for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.		<u>(144,352)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION

\$9,723,553

City of Jasper, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds Year Ended September 30, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 738,067	\$ 375,070	\$ -	\$ 1,113,137
Franchise taxes	158,137	-	-	158,137
Sales taxes	2,166,578	1,081,197	-	3,247,775
Other taxes	276,978	-	-	276,978
Licenses and permits	30,726	-	-	30,726
Intergovernmental	153,841	-	-	153,841
Other grants and contributions	184,348	-	-	184,348
Charges for services	1,318,986	-	-	1,318,986
Fines and forfeitures	418,411	-	-	418,411
Rents and royalties	190,847	-	-	190,847
Investment earnings	10,517	1,687	1,184	13,388
Capital contributions from JEDCO	87,205	-	-	87,205
Other revenues	25,516	-	-	25,516
Total revenues	<u>5,760,157</u>	<u>1,457,954</u>	<u>1,184</u>	<u>7,219,295</u>
EXPENDITURES				
Current				
General government	923,475	-	-	923,475
Finance	285,151	-	-	285,151
Intergovernmental services	380,205	-	-	380,205
Community services	1,517,338	-	-	1,517,338
Community development	702,169	-	2,396	704,565
Public safety	2,461,010	-	-	2,461,010
Debt service				
Principal	-	830,000	-	830,000
Interest and fees	-	219,291	-	219,291
Capital outlay				
Governmental activities	325,417	-	981,759	1,307,176
Light & power	-	-	34,673	34,673
Water & sewer	-	-	70,427	70,427
Total expenditures	<u>6,594,765</u>	<u>1,049,291</u>	<u>1,089,255</u>	<u>8,733,311</u>
EXCESS (DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES	<u>(834,608)</u>	<u>408,663</u>	<u>(1,088,071)</u>	<u>(1,514,016)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	126,170	-	-	126,170
Proceeds from insurance	73,026	-	-	73,026
Transfers in (out)	1,284,629	-	914,370	2,198,999
Total other financing sources (uses)	<u>1,483,825</u>	<u>-</u>	<u>914,370</u>	<u>2,398,195</u>
Net change in fund balances	649,217	408,663	(173,701)	884,179
Fund balances, beginning of year	2,611,714	1,663,600	469,467	4,744,781
Prior period adjustment	177,584	88,792	-	266,376
FUND BALANCES, END OF YEAR	<u>\$ 3,438,515</u>	<u>\$ 2,161,055</u>	<u>\$ 295,766</u>	<u>\$ 5,895,336</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 Year Ended September 30, 2016

NET CHANGE IN FUND BALANCES -

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

\$ 884,179

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. (538)

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. (1,907)

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

Capital outlay	\$ 1,307,176	
Depreciation expense	<u>(1,360,508)</u>	(53,332)

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position. (44,062)

Repayment of bond and certificates of obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 830,000

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

Accrued interest on bonds payable decreased (increased)	\$ 3,027	
Amortization of bond premium	<u>3,223</u>	6,250

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 are as follows:

Compensated absences liability decreased (increased)	\$ 23,218	
Payables for postemployment benefits decreased (increased)	<u>(49,894)</u>	(26,676)

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

Deferred outflows increased (decreased)	\$ 889,437	
Deferred inflows (decreased) increased	(144,352)	
Net pension liability (increased) decreased	<u>(931,968)</u>	<u>(186,883)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL FUNDS - STATEMENT OF ACTIVITIES

\$ 1,407,031

City of Jasper, Texas
Statement of Net Position
Proprietary Funds
September 30, 2016

	Business-Type Activities - Enterprise Funds		
	<u>Water and Sewer Fund</u>	<u>Light and Power Fund</u>	<u>Totals</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,538,566	\$ 23,759,015	\$ 25,297,581
Restricted cash - customer meter deposits	-	310,749	310,749
Receivables (net)			
Accounts	474,101	1,495,342	1,969,443
Other	11,029	18,572	29,601
Due from other funds	-	1,099,842	1,099,842
Inventories	-	479,271	479,271
Total current assets	<u>2,023,696</u>	<u>27,162,791</u>	<u>29,186,487</u>
Noncurrent assets			
Capital assets			
Land and improvements	68,382	54,750	123,132
Buildings and improvements	281,889	325,021	606,910
Utility systems	30,150,795	11,442,755	41,593,550
Machinery and equipment	1,824,615	2,577,636	4,402,251
Accumulated depreciation	<u>(16,070,978)</u>	<u>(10,001,460)</u>	<u>(26,072,438)</u>
Total noncurrent assets	<u>16,254,703</u>	<u>4,398,702</u>	<u>20,653,405</u>
Total assets	<u>18,278,399</u>	<u>31,561,493</u>	<u>49,839,892</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pension activities	345,940	499,692	845,632
Deferred contribution after the measurement date	57,807	83,499	141,306
Total deferred outflows of resources	<u>403,747</u>	<u>583,191</u>	<u>986,938</u>
LIABILITIES			
Current liabilities			
Accounts payable	191,246	1,203,519	1,394,765
Accrued liabilities	38,801	46,644	85,445
Due to other funds	346,658	-	346,658
Customer meter deposits	-	310,749	310,749
Accrued compensated absences - current	75,000	75,000	150,000
Total current liabilities	<u>651,705</u>	<u>1,635,912</u>	<u>2,287,617</u>
Noncurrent liabilities			
Accrued compensated absences - long term	113,317	111,907	225,224
Other postemployment benefits - long term	99,148	125,018	224,166
Net pension liability - long term	<u>505,327</u>	<u>729,917</u>	<u>1,235,244</u>
Total noncurrent liabilities	<u>717,792</u>	<u>966,842</u>	<u>1,684,634</u>
Total liabilities	<u>1,369,497</u>	<u>2,602,754</u>	<u>3,972,251</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows for pensions	46,399	67,021	113,420
Total deferred inflows of resources	<u>46,399</u>	<u>67,021</u>	<u>113,420</u>
NET POSITION			
Net investment in capital assets	16,254,703	4,398,702	20,653,405
Unrestricted	<u>1,011,547</u>	<u>25,076,207</u>	<u>26,087,754</u>
TOTAL NET POSITION	<u>\$ 17,266,250</u>	<u>\$ 29,474,909</u>	<u>\$ 46,741,159</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 Year Ended September 30, 2016

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Light and Power Fund	Totals
OPERATING REVENUES			
Electrical services (less bad debt of \$35,554)	\$ -	\$ 12,463,553	\$12,463,553
Sale of excess electrical power	-	8,767,923	8,767,923
Water sales (less bad debt of \$6,222)	1,952,345	-	1,952,345
Sewer services	1,403,694	-	1,403,694
Tapping fees	39,884	-	39,884
Cut-in fees	15,030	19,229	34,259
Miscellaneous income	13,347	7,557	20,904
Total operating revenues	<u>3,424,300</u>	<u>21,258,262</u>	<u>24,682,562</u>
OPERATING EXPENSES			
Water production	420,323	-	420,323
Water distribution	537,123	-	537,123
Sewer collection	439,050	-	439,050
Sewer treatment	657,424	-	657,424
Public works	277,462	-	277,462
Power production	-	10,905,694	10,905,694
Right of way	-	397,633	397,633
Inspection	-	248,812	248,812
Customer service	-	447,869	447,869
Nondepartmental:			
Depreciation	1,129,251	389,916	1,519,167
Total operating expenses	<u>3,460,633</u>	<u>12,389,924</u>	<u>15,850,557</u>
Operating income (loss)	<u>(36,333)</u>	<u>8,868,338</u>	<u>8,832,005</u>
NONOPERATING REVENUES (EXPENSES)			
Proceeds from Insurance	26,388	9,096	35,484
Investment earnings	2,770	80,041	82,811
Gain (loss) on disposal of property	-	(11,562)	(11,562)
Total nonoperating revenues (expenses)	<u>29,158</u>	<u>77,575</u>	<u>106,733</u>
Income before contributions and transfers	(7,175)	8,945,913	8,938,738
Capital contribution - capital projects fund	70,427	34,673	105,100
Capital contributions from JEDCO	-	19,095	19,095
Transfers in (out)	(641,483)	(1,557,516)	(2,198,999)
Change in net position	(578,231)	7,442,165	6,863,934
Net position, beginning of year	<u>17,844,481</u>	<u>22,032,744</u>	<u>39,877,225</u>
NET POSITION, END OF YEAR	<u>\$17,266,250</u>	<u>\$ 29,474,909</u>	<u>\$46,741,159</u>

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

City of Jasper, Texas
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2016

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Light and Power Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for account services	\$ 3,490,243	\$21,247,985	\$24,738,228
Cash payments for operating expenses	(1,245,924)	(9,661,638)	(10,907,562)
Cash payments to employees for services	(1,348,760)	(1,634,266)	(2,983,026)
Net cash provided by (used for) operating activities	<u>895,559</u>	<u>9,952,081</u>	<u>10,847,640</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(641,483)	(1,557,516)	(2,198,999)
Insurance proceeds	26,388	9,096	35,484
Net cash provided by (used for) noncapital financing activities	<u>(615,095)</u>	<u>(1,548,420)</u>	<u>(2,163,515)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(191,838)	(680,054)	(871,892)
Refund for a disposed capital asset	-	42,520	42,520
Capital contributions from JEDCO	-	19,095	19,095
Net cash provided by (used for) capital & related financing activities	<u>(191,838)</u>	<u>(618,439)</u>	<u>(810,277)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on investments	2,770	80,041	82,811
Net cash provided by (used for) investing activities	<u>2,770</u>	<u>80,041</u>	<u>82,811</u>
Net increase (decrease) in cash and cash equivalents	91,396	7,865,263	7,956,659
Cash and cash equivalents, beginning of year	1,447,170	16,204,501	17,651,671
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,538,566</u>	<u>\$24,069,764</u>	<u>\$25,608,330</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ (36,333)	\$ 8,868,338	\$ 8,832,005
Adjustments to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation and amortization	1,129,251	389,916	1,519,167
(Increase) decrease in receivables	65,943	(22,349)	43,594
(Increase) decrease in due from other funds	(13,507)	542,169	528,662
(Increase) decrease in inventories	-	9,160	9,160
(Increase) decrease in deferred outflows	(285,889)	(412,953)	(698,842)
Increase (decrease) in accounts payable	95,526	196,539	292,065
Increase (decrease) in accrued liabilities	8,022	2,734	10,756
Increase (decrease) in due to other funds	(440,874)	(106,141)	(547,015)
Increase (decrease) in customer meter deposits	-	12,072	12,072
Increase (decrease) in accrued compensated absences	5,830	(37,710)	(31,880)
Increase (decrease) in other postemployment benefits	21,629	10,584	32,213
Increase (decrease) in net pension liability	299,562	432,701	732,263
Increase (decrease) in deferred inflows	46,399	67,021	113,420
Total adjustments	<u>931,892</u>	<u>1,083,743</u>	<u>2,015,635</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 895,559</u>	<u>\$ 9,952,081</u>	<u>\$10,847,640</u>
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Contributions of capital assets from governmental funds	\$ 70,427	\$ 34,673	\$ 105,100

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

City of Jasper, Texas

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. The City does not have fiduciary activities. *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, entities for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

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

C. Basis of Presentation – Government-wide Financial Statements

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

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

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

D. Basis of Presentation – Fund Financial Statements

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

City of Jasper, Texas

Notes to Financial Statements

The City reports the following major governmental funds:

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

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

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

The government reports the following major enterprise funds:

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

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

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

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

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

City of Jasper, Texas

Notes to Financial Statements

E. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

1. Cash and Cash Equivalents

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

2. Investments

Investments for the City consist of certificates of deposit that are non-negotiable and reported at cost.

3. Inventories and Prepaid Items

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

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

City of Jasper, Texas

Notes to Financial Statements

4. Capital Assets

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

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

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

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

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

5. 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.

City of Jasper, Texas

Notes to Financial Statements

Deferred outflows/inflows of resources are amortized as follows:

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

6. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. 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.

7. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). 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.

8. 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.

City of Jasper, Texas

Notes to Financial Statements

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

Property taxes are levied on October 1, attach as an enforceable lien on property on January 1, and become delinquent on June 30 of every fiscal year. The City has entered into a contract with the Jasper County Tax Collector's Office for the billing and collection of City property taxes.

3. Compensated Absences

The City and JEDCO employees are paid for absence due to vacation or sickness according to a prescribed policy. Employees can carry forward up to 160 hours of vacation. Payment for unused vacation is made upon termination of employment with more than 6 months service. Employees are also allowed to carry forward up to 840 or 720 hours of sick leave depending on the employee's hire date. Also, upon retirement or resignation in good standing the City will pay 100% or 33% of unused sick leave depending on the employee's hire date. Accordingly, these financial statements reflect the accrual of vacation and unused sick leave at September 30, 2016. Compensated absences are liquidated by the General Fund, proprietary funds and the component unit JEDCO.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

5. Use of Estimates

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

City of Jasper, Texas
Notes to Financial Statements

Note 2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Encumbrances

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

At September 30, 2016, certain amounts which were previously restricted or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in	
	Restricted Fund Balance	Assigned Fund Balance
Capital projects fund	\$ 295,766	\$ -
General fund	-	77,001
Total	\$ 295,766	\$ 77,001

The City has encumbrances and construction commitments in the capital projects fund totaling \$441,032. The excess amount of \$145,266 in encumbrances over the fund balance of \$295,766 will be funded by future transfers in.

City of Jasper, Texas

Notes to Financial Statements

Note 3. Detailed Notes on All Funds

A. Cash and Investments

Primary Government

At September 30, 2016, the carrying amount of the City's deposits (cash, certificates of deposit and interest-bearing savings accounts), was \$31,965,057 and the bank balance was \$31,954,414. At September 30, 2016, all bank balances were insured or collateralized with securities held by the custodian in the City's name. The City's investments consisted of certificates of deposits at fiscal year end which are reported at cost.

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 investment 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.

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 and by holding securities to maturity.

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For fiscal year 2016, the City is not exposed to credit risk as all investments are insured certificates of deposit.

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2016, the City's deposits at the local bank were insured and collateralized with securities held by the City's agent and in the City's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City is not exposed to custodial risk due to the investments, certificates of deposit at bank depository, are insured or registered in the City's name or the investments are held by the City or its agent.

Component Unit - JEDCO

JEDCO maintains deposits at a national bank and a credit union. At September 30, 2016, the carrying amount of JEDCO's deposits (cash, certificates of deposit and interest-bearing savings accounts) was \$3,315,197 and the depositories balances totaled \$3,318,451.

City of Jasper, Texas
Notes to Financial Statements

At September 30, 2016, bank balances of \$2,870,532 held at First National Bank were covered by federal deposit insurance or pledged collateral held by the custodian in JEDCO's name. Deposit balances of \$447,919 held at DuGood Federal Credit Union were covered by \$250,000 National Credit Union Insurance Fund and \$197,919 was unsecured and uninsured.

B. Restricted Assets

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

	General Fund	Light and Power Fund	Total
Meter deposits	\$ -	\$ 310,749	\$ 310,749
Hotel/motel tax	180,238	-	180,238
Grants and contributions	56,371	-	56,371
Courts	441,892	-	441,892
Total restricted assets	<u>\$ 678,501</u>	<u>\$ 310,749</u>	<u>\$ 989,250</u>

C. Receivables

Primary Government

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

Change in Uncollectibles related to general fund property taxes	\$ (1,000)
Change in Uncollectibles related to general fund court service	17,165
Change in Uncollectibles related to general fund sanitation	(2,667)
Change in Uncollectibles related to debt service property taxes	-
Change in Uncollectibles related to water and sewer fund utilities	(35,555)
Change in Uncollectibles related to light and power fund utilities	<u>(6,223)</u>
Total uncollectibles of the current fiscal year increased (decreased) revenues	<u>\$ (28,280)</u>

Allowances for uncollectibles at September 30, 2016 for the City's individual major governmental and proprietary funds are as follows:

	General Fund	Debt Service Fund	Water and Sewer	Light and Power	Total
Property taxes	\$ (6,000)	\$ (6,000)	\$ -	\$ -	\$ (12,000)
Accounts	(74,530)	-	-	-	(74,530)
Court fines	(818,623)	-	-	-	(818,623)
Accounts	-	-	(173,903)	(993,730)	(1,167,633)

Approximately 78% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

City of Jasper, Texas
Notes to Financial Statements

Component Unit - JEDCO

JEDCO's notes receivables were as follows as of September 30, 2016.

Note receivable from 700 Air Park Investments, LLC of \$600,000, issued February 20, 2007, secured by real estate, interest at 5.00% due in monthly installments of \$3,508 with remaining principal due upon maturity, matures February 22, 2019.	\$ 458,173
Note receivable from 700 Air Park Investments, LLC of \$25,000, issued February 20, 2007, secured by real estate, interest at 0.00%, due at maturity, matures February 22, 2019.	<u>25,000</u>
Total notes receivable	<u>\$ 483,173</u>

D. Interfund Balances and Activity

Primary Government:

1. Interfund Receivables and Payables

Interfund receivables and payables of the various funds at September 30, 2016 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 1,268	\$ 753,184
Debt service	-	1,268
Enterprise		
Water and sewer fund	-	346,658
Light and power fund	<u>1,099,842</u>	<u>-</u>
Totals	<u>\$1,101,110</u>	<u>\$1,101,110</u>

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, 2016.

	<u>Transfer in General Fund</u>	<u>Transfer in Capital Projects Fund</u>	<u>Total</u>
<u>Transfers out</u>			
Water and sewer	\$ 641,483	\$ -	\$ 641,483
Light and power	<u>643,146</u>	<u>914,370</u>	<u>1,557,516</u>
Totals	<u>\$ 1,284,629</u>	<u>\$ 914,370</u>	<u>\$ 2,198,999</u>

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

City of Jasper, Texas
Notes to Financial Statements

3. Component Unit - JEDCO

Amounts receivable and payable between the City and its component unit at September 30, 2016 were as follows:

<u>Primary Government/Component Unit</u>	<u>Receivables</u>	<u>Payables</u>
City - General Fund	\$ 89,843	\$ -
Component unit - JEDCO	-	89,843
Totals	<u>\$ 89,843</u>	<u>\$ 89,843</u>

The receivable and payable between the City and its component unit consist of payroll administration expenditures of \$2,638 and expenditures of \$87,205 for JEDCO portion of Main Street construction project in progress.

E. Capital Assets

Primary Government

Capital asset activity for the year ended September 30, 2016 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	\$ 563,641	\$ 122,699	\$ -	\$ -	\$ 686,340
Construction in progress	-	174,410	-	-	174,410
Total capital assets, not being depreciated	<u>563,641</u>	<u>297,109</u>	<u>-</u>	<u>-</u>	<u>860,750</u>
Depreciable assets					
Buildings and improvements	2,453,009	52,880	-	-	2,505,889
Improvements other than buildings	4,888,751	22,137	-	-	4,910,888
Machinery and equipment	8,251,197	920,661	(376,565)	-	8,795,293
Infrastructure	11,288,484	14,389	-	-	11,302,873
Total depreciable assets	<u>26,881,441</u>	<u>1,010,067</u>	<u>(376,565)</u>	<u>-</u>	<u>27,514,943</u>
Less accumulated depreciation for					
Buildings and improvements	(1,208,547)	(42,748)	-	-	(1,251,295)
Improvements other than buildings	(3,529,386)	(112,256)	-	-	(3,641,642)
Machinery and equipment	(5,717,226)	(464,034)	332,503	-	(5,848,757)
Infrastructure	(5,515,724)	(741,470)	-	-	(6,257,194)
Total accumulated depreciation	<u>(15,970,883)</u>	<u>(1,360,508)</u>	<u>332,503</u>	<u>-</u>	<u>(16,998,888)</u>
Total depreciable assets, net	<u>10,910,558</u>	<u>(350,441)</u>	<u>(44,062)</u>	<u>-</u>	<u>10,516,055</u>
Governmental activities capital assets, net	<u>\$11,474,199</u>	<u>\$ (53,332)</u>	<u>\$ (44,062)</u>	<u>\$ -</u>	<u>\$11,376,805</u>

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

Governmental activities	
General government	\$ 8,577
Finance	4,650
Intergovernmental services	63,833
Community services	282,360
Community development	846,728
Public safety	154,360
Total	<u>\$ 1,360,508</u>

City of Jasper, Texas
Notes to Financial Statements

	Beginning Balance	Increases	Decreases	Adjustments and Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land and improvements	\$ 123,132	\$ -	\$ -	\$ -	\$ 123,132
Total capital assets, not being depreciated	<u>123,132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,132</u>
Depreciable assets					
Buildings and improvements	606,910	-	-	-	606,910
Utility systems	41,047,092	600,540	(54,082)	-	41,593,550
Machinery and equipment	4,167,973	376,452	(142,174)	-	4,402,251
Total depreciable assets	<u>45,821,975</u>	<u>976,992</u>	<u>(196,256)</u>	<u>-</u>	<u>46,602,711</u>
Less accumulated depreciation for					
Buildings and improvements	(349,870)	(14,525)	-	-	(364,395)
Utility systems	(21,200,016)	(1,255,308)	-	-	(22,455,324)
Machinery and equipment	(3,145,559)	(249,334)	142,174	-	(3,252,719)
Total accumulated depreciation	<u>(24,695,445)</u>	<u>(1,519,167)</u>	<u>142,174</u>	<u>-</u>	<u>(26,072,438)</u>
Total depreciable assets, net	<u>21,126,530</u>	<u>(542,175)</u>	<u>(54,082)</u>	<u>-</u>	<u>20,530,273</u>
Business-type activities capital assets, net	<u>\$21,249,662</u>	<u>\$ (542,175)</u>	<u>\$ (54,082)</u>	<u>\$ -</u>	<u>\$20,653,405</u>

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

Business-type activities	
Water and sewer	\$ 1,129,251
Light and power	<u>389,916</u>
Total business-type activities	<u>\$ 1,519,167</u>

City of Jasper, Texas
Notes to Financial Statements

Component Unit - JEDCO

Activity for the component unit for the year ended September 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component unit				
Capital assets, not being depreciated				
Land and improvements	\$ 110,393	\$ -	\$ -	\$ 110,393
Total capital assets, not being depreciated	110,393	-	-	110,393
Depreciable assets				
Industrial park	3,202,753	-	-	3,202,753
Signs	18,852	-	-	18,852
Office equipment	7,807	-	-	7,807
Total depreciable assets	3,229,412	-	-	3,229,412
Less accumulated depreciation for:				
Industrial park	(752,675)	(64,055)	-	(816,730)
Signs	(11,118)	(1,885)	-	(13,003)
Office equipment	(7,807)	-	-	(7,807)
Total accumulated depreciation	(771,600)	(65,940)	-	(837,540)
Total depreciable assets, net	2,457,812	(65,940)	-	2,391,872
Component unit capital assets, net	<u>\$2,568,205</u>	<u>\$ (65,940)</u>	<u>\$ -</u>	<u>\$2,502,265</u>

F. Long-term Liabilities

Primary Government and Discretely Presented Component Unit (JEDCO):

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

City of Jasper, Texas
Notes to Financial Statements

Changes in Long-term Liabilities

Changes in long-term obligations for the period ended September 30, 2016, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable					
General obligation bonds	\$ 1,855,000	\$ -	\$ (230,000)	\$ 1,625,000	\$ 240,000
Certificates of obligation	5,560,000	-	(600,000)	4,960,000	615,000
Deferred amounts					
For issuance premiums	55,856	-	(3,223)	52,633	-
Total bonds payable, net	7,470,856	-	(833,223)	6,637,633	855,000
Compensated absences	458,875	153,785	(177,003)	435,657	200,000
Other postemployment benefits	247,499	143,859	(93,965)	297,393	-
Net pension liability	640,158	2,306,651	(1,374,683)	1,572,126	-
Total governmental activities					
Long-term liabilities	<u>\$ 8,817,388</u>	<u>\$ 2,604,295</u>	<u>\$(2,478,874)</u>	<u>\$ 8,942,809</u>	<u>\$ 1,055,000</u>
Business-type activities					
Compensated absences	\$ 407,104	\$ 124,830	\$ (156,710)	\$ 375,224	\$ 150,000
Other post-employment benefits	191,953	64,132	(31,919)	224,166	-
Net pension liability	502,981	1,812,368	(1,080,105)	1,235,244	-
Total business-type activities					
Long-term liabilities	<u>\$ 1,102,038</u>	<u>\$ 2,001,330</u>	<u>\$(1,268,734)</u>	<u>\$ 1,834,634</u>	<u>\$ 150,000</u>
Component Unit - JEDCO					
Compensated absences	\$ 6,480	\$ 5,429	\$ (5,016)	\$ 6,893	\$ 6,893
Total	<u>\$ 6,480</u>	<u>\$ 5,429</u>	<u>\$ (5,016)</u>	<u>\$ 6,893</u>	<u>\$ 6,893</u>

Primary Government:

General Obligation Bonds Payable

Governmental activities

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

Total general obligation bonds payable

\$ 1,625,000
\$ 1,625,000

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 240,000	\$ 58,800	\$ 298,800
2018	250,000	49,610	299,610
2019	265,000	39,692	304,692
2020	275,000	29,163	304,163
2021	290,000	18,000	308,000
2022	305,000	6,100	311,100
Totals	<u>\$ 1,625,000</u>	<u>\$ 201,365</u>	<u>\$ 1,826,365</u>

City of Jasper, Texas
Notes to Financial Statements

Certificates of Obligation

Governmental activities

\$2,930,000 2006 combination tax Revenue certificates of obligation due in annual installments of \$90,000 to \$215,000 through February 15, 2027, interest ranging from 3.90% to 5.00% secured by ad valorem taxes and a subordinate pledge of surplus revenues of water and sewer funds. \$1,930,000

\$4,400,000 2012 combination tax revenue certificate 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. 3,030,000

\$4,960,000

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

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 615,000	\$ 135,160	\$ 750,160
2018	630,000	120,002	750,002
2019	650,000	104,275	754,275
2020	670,000	87,925	757,925
2021	235,000	75,584	310,584
2022	245,000	67,299	312,299
2023	250,000	58,710	308,710
2024	265,000	49,767	314,767
2025	275,000	40,320	315,320
2026	285,000	30,467	315,467
2027	295,000	20,257	315,257
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	<u>\$ 4,960,000</u>	<u>\$ 838,416</u>	<u>\$ 5,798,416</u>

Note 4. Other Information

A. Pension Information

Plan Description

The City of Jasper participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

City of Jasper, Texas
Notes to Financial Statements

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

Benefits Provided

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

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

Plan Provisions

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 2015	Plan Year 2014
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 <i>(expressed as age/years of service)</i>	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating
Supplemental death benefit to active employees	Yes	Yes
Supplemental death benefit to retirees	Yes	Yes

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	73
Inactive employees entitled to but not yet receiving benefits	54
Active employees	113
	240

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 9.03% and 8.94% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$443,977, and were equal to the required contributions.

City of Jasper, Texas

Notes to Financial Statements

Net Pension Liability

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

Actuarial assumptions

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

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.7%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

City of Jasper, Texas

Notes to Financial Statements

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). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic equity	17.5%	4.55%
International equity	17.5%	6.10%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	3.65%
Real return	10.0%	4.03%
Real estate	10.0%	5.00%
Absolute return	10.0%	4.00%
Private equity	5.0%	8.00%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of Jasper, Texas
Notes to Financial Statements

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2014	\$ 22,614,024	\$ 21,470,885	\$ 1,143,139
Changes for the year			
Service cost	588,614	-	588,614
Interest	1,558,567	-	1,558,567
Change of benefit terms	-	-	-
Difference between expected and actual experience	(339,348)	-	(339,348)
Changes of assumptions	665,404	-	665,404
Contributions - employer	-	449,296	(449,296)
Contributions - employee	-	348,292	(348,292)
Net investment income	-	31,669	(31,669)
Benefit payments, including refunds of employee contributions	(1,286,185)	(1,286,185)	-
Administrative expense	-	(19,297)	19,297
Other changes	-	(954)	954
Net changes	<u>1,187,052</u>	<u>(477,179)</u>	<u>1,664,231</u>
Balance at December 31, 2015	<u>\$ 23,801,076</u>	<u>\$ 20,993,706</u>	<u>\$ 2,807,370</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	\$ 5,713,897	\$ 2,807,370	\$ 377,191

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 Financial Statements

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

For the year ended September 30, 2016, the City recognized pension expense of \$777,701.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 79,310	\$ (257,772)
Changes in actuarial assumptions	505,451	-
Difference between projected and actual investment earnings	1,337,130	-
Contributions subsequent to the measurement date	321,151	-
Totals	<u>\$ 2,243,042</u>	<u>\$ (257,772)</u>

\$321,151 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	
2017	\$ 461,525
2018	461,525
2019	434,270
2020	306,799
Thereafter	-
Total	<u>\$1,664,119</u>

B. Postemployment Benefits-Supplemental Death Benefits Plan

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

City of Jasper, Texas

Notes to Financial Statements

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City offers supplemental death to	Plan Year 2015	Plan Year 2016
Active employees (Yes or No)	Yes	Yes
Retirees (Yes or No)	Yes	Yes

Contributions

The 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.

The City's contributions to the TMRS SDBF for the fiscal years ended 2016, 2015, and 2014 were \$3,467, \$2,963, and \$2,827, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates (RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2015	0.07%	0.07%	100.0%
2014	0.06%	0.06%	100.0%
2013	0.06%	0.06%	100.0%

C. Other Postemployment Benefits

The City of Jasper provides other postemployment benefits (OPEB), a single-employer defined benefit health care plan, as per the requirements of a local policy adopted by City Council. Retired City employees hired prior to March 22, 2002, who attain the age of 60 with a minimum of 10 years of service to the City or employees who have a minimum of 20 years continuous employment will receive medical insurance coverage until age 65 or attainment of Medicare eligibility, whichever is later. This benefit is limited to coverage for the employee only. Retirees may include their dependents on the group health coverage for a period of time to coincide with the retired employee's eligibility. The premium costs associated with dependent coverage will be the responsibility of the retiree. Employees hired on or after March 22, 2002, are not eligible to receive group medical insurance coverage after retirement. A separate financial statement is not issued for the plan. For the year ended September 30, 2016, the City contributed \$125,884 for these benefits. At September 30, 2016, the City reports a postemployment benefit liability of \$521,559 in the governmental activities and business-type activities.

City of Jasper, Texas

Notes to Financial Statements

Funding Policy

The City of Jasper's postretirement benefit liability is recorded on a full accrual basis in the government-wide statements. An actuarial study was performed as of October 1, 2015 to prepare for disclosure of this liability in accordance with GASB 45. The projected liability accrual for fiscal year 2016 has been recorded net of premium contributions received from retired employees as required in the plan.

The contributions requirement for plan members and the City are established and may be amended by City Council. In fiscal year 2015-2016, a premium of approximately \$11,000 each month is contributed to the plan on behalf of all retirees. This amount is subject to review during the annual budget process. Sample contribution rates for retirees and their dependents are shown below.

Medical Plan	
Employee	\$ 910
Spouse	1,455
Child	707
Family	2,228

Basic Life	
Life	\$0.19 per \$1000

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

Annual OPEB Cost and Net OPEB Obligation:

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

Other Postemployment Benefits (OPEB) Obligation			
	2016	2015	2014
Annual OPEB cost			
Annual required contribution	\$ 218,127	\$ 238,786	\$ 238,786
Interest adjustment to net OPEB obligation	17,578	13,463	10,461
Adjustment to ARC	(27,714)	(19,818)	(15,400)
Annual OPEB cost	207,991	232,431	233,847
Net employer contributions	(125,884)	(129,551)	(158,802)
Net OPEB obligation	82,107	102,880	75,045
Net OPEB obligation - beginning of year	439,452	336,572	261,527
Net OPEB obligation - end of year	\$ 521,559	\$ 439,452	\$ 336,572
Percentage of annual OPEB cost contributed	60.52%	55.74%	67.91%

City of Jasper, Texas
Notes to Financial Statements

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

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost	Net OPEB Obligation
9/30/2016	\$ 207,991	\$ 125,884	60.52%	\$ 521,559
9/30/2015	\$ 232,431	\$ 129,551	55.74%	\$ 439,452
9/30/2014	\$ 233,847	\$ 158,802	67.91%	\$ 336,572

Funding Status and Funding Progress:

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of September 30, 2016 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio %	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(a/b)	(b-a)	(c)	((b-a)/c)
10/1/2015	\$ -	\$ 2,495,610	0.0%	\$ 2,495,610	\$ 4,952,492	50.4%

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

Actuarial Methods and Assumptions:

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

Actuarial Methods and Assumptions

Actuarial valuation date	October 1, 2015
Actuarial cost method	Projected unit credit cost method
Amortization method	Level as a percentage of projected payroll (closed)
Remaining amortization period	30 years
Investment rate of return	4.0%, net of expenses
Payroll growth	N/A
Rate of inflation	2.5% per annum, compounded annually
Health care cost trend rate	4.3% initially

City of Jasper, Texas

Notes to Financial Statements

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

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

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

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of Milliman. A rate of 4.3 percent initially, reduced to an ultimate rate of 4.0 percent by the year 2099.

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

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

D. Federal and State Awards

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

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

E. Energy and Power Purchase Commitments

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

City of Jasper, Texas

Notes to Financial Statements

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

F. Operating Leases

The City leased the building at 210 Premier Dr. in Jasper from McWhorter Properties under an operating lease agreement and in turn sublet the building to the Deep East Texas Council of Governments. Rent income and rent expense for the year ended September 30, 2016 was \$169,166 and \$169,166, respectively.

G. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases workers' compensation insurance coverage from Deep East Texas Self Insurance Fund, a public entity risk pool, which is self-sustaining through member premiums. The Fund reinsures through commercial companies for claims in excess of \$1,000,000. 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.

H. Pending Litigation

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

I. Commitments

The City has an active construction project as of September 30, 2016 with an outstanding commitment totaling \$206,800 for the construction and improvements of Main Street in the downtown district.

The City has a project as of September 30, 2016 with an outstanding commitment totaling \$68,618 for the removal of debris as part of a federal grant project.

City of Jasper, Texas
Notes to Financial Statements

J. Prior Period Adjustment

Governmental activities and JEDCO beginning net position and general fund and debt service fund beginning fund balance at October 1, 2015 were restated to accrue an additional month of sales tax due to the amounts received in October and November are earned in the months of August and September and the City had only accrued the sales tax funds received in October in prior years. The effect of the restatements of beginning net position and fund balance is reflected in the following table:

	Governmental Activities <u>Net Position</u>	JEDCO <u>Net Position</u>	General Fund <u>Fund Balance</u>	Debt Service Fund <u>Fund Balance</u>
Beginning fund balance and net position, as previously reported	\$ 8,050,146	\$ 5,736,571	\$ 2,611,714	\$ 1,663,600
Restate beginning sales tax receivable	<u>266,376</u>	<u>88,792</u>	<u>177,584</u>	<u>88,792</u>
Beginning fund balance and net position, restated	<u>\$ 8,316,522</u>	<u>\$ 5,825,363</u>	<u>\$ 2,789,298</u>	<u>\$ 1,752,392</u>

Required Supplementary Information

City of Jasper, Texas

Required Supplementary Information

General Fund

Schedule of Revenues, Expenditures, and Changes

in Fund Balance – Budget and Actual

Year Ended September 30, 2016

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 688,284	\$ 738,067	\$ 738,067	\$ -
Franchise taxes	190,000	158,137	158,137	-
Sales taxes	2,012,000	2,166,578	2,166,578	-
Motel occupancy	235,000	269,464	269,464	-
Mixed beverage	7,500	7,229	7,229	-
Other taxes	-	285	285	-
Licenses and permits	35,000	30,726	30,726	-
Intergovernmental:				
CLEOSE grant	-	5,189	5,189	-
Tobacco grant - police department	3,000	2,625	2,625	-
DARE	-	25,000	25,000	-
DETCOG	-	849	849	-
CDBG	-	111,798	111,798	-
Municipal court technology	-	8,380	8,380	-
Other grants and contributions	80,500	184,348	184,348	-
Charges for services				
Sanitation collection fees	1,102,750	1,252,545	1,252,545	-
Landfill transfer fee	185,000	64,881	64,881	-
Animal shelter	500	758	758	-
Recycling income	-	802	802	-
Fines and forfeitures	440,860	418,411	418,411	-
Rents and royalties	205,687	190,847	190,847	-
Investment earnings	3,000	10,517	10,517	-
Capital contributions from JEDCO	-	87,205	87,205	-
Other revenues	20,500	25,516	25,516	-
Total revenues	5,209,581	5,760,157	5,760,157	-
EXPENDITURES				
General government				
Legislative	610,587	633,336	633,336	-
Administrative	133,950	151,797	151,797	-
Human resources	112,297	107,586	107,586	-
City secretary	46,637	30,756	30,756	-
Total general government	903,471	923,475	923,475	-
Finance				
Budget and finance	294,938	285,151	285,151	-
Total finance	294,938	285,151	285,151	-
Intergovernmental services				
Municipal shop	288,674	283,081	283,081	-
Custodial services	99,242	97,124	97,124	-
Total intergovernmental services	387,916	380,205	380,205	-
Community services				
Library	334,866	299,449	299,449	-
Solid waste	810,014	854,697	854,697	-
Parks	58,700	49,237	49,237	-
Community services	259,101	219,403	219,403	-
Animal shelter	93,669	94,552	94,552	-
Total community services	1,556,350	1,517,338	1,517,338	-

continued

City of Jasper, Texas

Required Supplementary Information

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Year Ended September 30, 2016

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Community development				
Streets and drainage	555,961	702,169	702,169	-
Total community development	555,961	702,169	702,169	-
Public safety				
Police	2,160,297	1,984,689	1,984,689	-
Municipal court	391,095	326,104	326,104	-
Fire	142,650	150,217	150,217	-
Total public safety	2,694,042	2,461,010	2,461,010	-
Capital outlay				
Governmental activities	-	325,417	325,417	-
Total capital outlay	-	325,417	325,417	-
Total expenditures	6,392,678	6,594,765	6,594,765	-
Excess (deficiency) of revenues over expenditures	(1,183,097)	(834,608)	(834,608)	-
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	126,170	126,170	-
Proceeds from insurance	-	73,026	73,026	-
Transfers in (out)	1,283,524	1,284,629	1,284,629	-
Total other financing sources (uses)	1,283,524	1,483,825	1,483,825	-
Net change in fund balance	100,427	649,217	649,217	-
Fund balance, beginning of year	2,611,714	2,611,714	2,611,714	-
Prior period adjustment	177,584	177,584	177,584	-
FUND BALANCE, END OF YEAR	\$ 2,889,725	\$ 3,438,515	\$ 3,438,515	\$ -

The Notes to Required Supplementary Information are an integral part of these statements.

City of Jasper, Texas

Required Supplementary Information

Schedule of Funding Progress

Other Postemployment Benefits – Retiree Health Plan

Last Five Fiscal Years

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2011	\$ -	\$ 2,611,451	\$ 2,611,451	0%	\$4,185,685	62.4%
10/1/2012	-	2,699,455	2,699,455	0%	4,399,599	61.4%
10/1/2013	-	2,699,455	2,699,455	0%	4,308,184	62.7%
10/1/2014	-	2,699,455	2,699,455	0%	4,938,995	54.7%
10/1/2015	-	2,495,610	2,495,610	0%	4,952,492	50.4%

City of Jasper, Texas

Required Supplementary Information
 Schedule of Changes in Net Pension Liability
 and Related Ratios -
 Texas Municipal Retirement System
 Last Two Fiscal Years*

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

*The amounts presented for the fiscal year were determined as of the Plan's fiscal year end December 31. GASB 68 requires 10 fiscal years of data to be provided in this schedule. Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Jasper, Texas

Required Supplementary Information Schedule of City Contributions - Texas Municipal Retirement System Last Two Fiscal Years *

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

*The amounts presented for the fiscal year were determined as of the City's fiscal year end September 30. GASB 68 requires 10 fiscal years of data to be provided in this schedule. Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Jasper, Texas

Notes to Required Supplementary Information

Note 1. Budget

A. Budgetary Information

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

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

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

B. Variances with Final Budget

The City's general fund budget differs from the original budget due to budget revisions that were made during the fiscal period.

The increases in governmental activities capital outlay in the final amended budget was primarily due to total costs of multiple capital purchases.

C. Excess of Expenditures Over Appropriations

For the year ended September 30, 2016, expenditures did not exceed appropriations at the function level (the legal level of budgetary control).

City of Jasper, Texas

Notes to Required Supplementary Information

Note 2. OPEB

Actuarial Assumptions – The Required Supplementary Schedules for Other Postemployment Benefits on the previous pages were prepared using the actuarial valuations for determining the actuarially determined contributions rates as of October 1, 2015. The actuarial assumptions used are as follows:

Actuarial Methods and Assumptions	
Actuarial valuation date	October 1, 2015
Actuarial cost method	Projected unit credit cost method
Amortization method	Level as a percentage of projected payroll (closed)
Remaining amortization period	30 years
Investment rate of return	4.0%, net of expenses
Payroll growth	N/A
Rate of inflation	2.5% per annum, compounded annually
Health care cost trend rate	4.3% initially

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

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

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

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of Milliman. A rate of 4.3 percent initially, reduced to an ultimate rate of 4.0 percent by the year 2099.

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

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

City of Jasper, Texas

Notes to Required Supplementary Information

Note 3. Pension

TMRS

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

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

Actuarial Assumptions

Valuation date

Notes

Actuarially determined contribution rates are calculated as of December 31, 2015 and become effective in January, 13 months later

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	10 year smoothed market; 15% off corridor
Inflation	2.50%
Salary increases	3.50% to 10.5%, including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other information

Notes

There were no benefit changes during the year

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Supplementary Information

City of Jasper, Texas

Debt Service Fund

Schedule of Revenues, Expenditures, and Changes

in Fund Balance - Budget and Actual

Year Ended September 30, 2016

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 325,151	\$ 375,070	\$ 375,070	\$ -
Sales taxes	1,000,000	1,081,197	1,081,197	-
Investment earnings	1,600	1,687	1,687	-
Total revenues	<u>1,326,751</u>	<u>1,457,954</u>	<u>1,457,954</u>	<u>-</u>
EXPENDITURES				
Debt service				
Principal	830,000	830,000	830,000	-
Interest and fees	219,792	219,291	219,291	-
Total expenditures	<u>1,049,792</u>	<u>1,049,291</u>	<u>1,049,291</u>	<u>-</u>
Net change in fund balance	276,959	408,663	408,663	-
Fund balance, beginning of year	1,663,600	1,663,600	1,663,600	-
Prior period adjustment	88,792	88,792	88,792	-
FUND BALANCE, END OF YEAR	<u>\$ 2,029,351</u>	<u>\$ 2,161,055</u>	<u>\$ 2,161,055</u>	<u>\$ -</u>

City of Jasper, Texas
Schedule of Operating Expenses
by Department - Enterprise Funds
Year Ended September 30, 2016

	Water and Sewer Fund		Light and Power Fund	Total
	Water Utility	Sewer Utility	Light and Power Utility	
Water production				
Personnel expenses	\$ 185,473	\$ -	\$ -	\$ 185,473
Maintenance and supplies	73,631	-	-	73,631
Contracted services	159,382	-	-	159,382
Other sundry expenses	1,837	-	-	1,837
Total water production	420,323	-	-	420,323
Water distribution				
Personnel expenses	363,734	-	-	363,734
Maintenance and supplies	96,391	-	-	96,391
Contracted services	76,075	-	-	76,075
Other sundry expenses	923	-	-	923
Total water distribution	537,123	-	-	537,123
Sewer collection				
Personnel expenses	-	293,959	-	293,959
Maintenance and supplies	-	86,226	-	86,226
Contracted services	-	55,589	-	55,589
Other sundry expenses	-	3,276	-	3,276
Total sewer collection	-	439,050	-	439,050
Sewer treatment				
Personnel expenses	-	339,468	-	339,468
Maintenance and supplies	-	95,965	-	95,965
Contracted services	-	212,291	-	212,291
Other sundry expenses	-	9,700	-	9,700
Total sewer treatment	-	657,424	-	657,424
Public works				
Personnel expenses	261,679	-	-	261,679
Maintenance and supplies	3,382	-	-	3,382
Contracted services	8,901	-	-	8,901
Other sundry expenses	3,500	-	-	3,500
Total public works	277,462	-	-	277,462
Power production				
Purchased power	-	-	10,046,458	10,046,458
Personnel expenses	-	-	774,815	774,815
Maintenance and supplies	-	-	56,596	56,596
Contracted services	-	-	17,706	17,706
Other sundry expenses	-	-	10,119	10,119
Total power production	-	-	10,905,694	10,905,694
Right of way				
Personnel expenses	-	-	375,585	375,585
Maintenance and supplies	-	-	18,062	18,062
Contracted services	-	-	3,292	3,292
Other sundry expenses	-	-	694	694
Total right of way	-	-	397,633	397,633
Inspection				
Personnel expenses	-	-	223,062	223,062
Maintenance and supplies	-	-	6,654	6,654
Contracted services	-	-	6,293	6,293
Other sundry expenses	-	-	12,803	12,803
Total inspection	-	-	248,812	248,812
Customer service				
Personnel expenses	-	-	323,182	323,182
Maintenance and supplies	-	-	24,034	24,034
Contracted services	-	-	84,964	84,964
Other sundry expenses	-	-	15,689	15,689
Total customer service	-	-	447,869	447,869
Nondepartmental				
Depreciation	564,626	564,625	389,916	1,519,167
Total nondepartmental expenses	564,626	564,625	389,916	1,519,167
TOTAL OPERATING EXPENSES	\$ 1,799,534	\$ 1,661,099	\$ 12,389,924	\$ 15,850,557

City of Jasper, Texas

Statement of Net Position - Component Unit
Jasper Economic Development Corporation
September 30, 2016

	<u>Component Unit</u>
	<u>JEDCO</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 3,315,197
Receivables (net)	
Sales tax	198,583
Accrued interest receivable	7,733
Notes receivable	483,173
Capital assets	
Land	110,393
Industrial park	3,202,753
Signs	18,852
Office equipment	7,807
Accumulated depreciation	<u>(837,540)</u>
TOTAL ASSETS	<u>\$ 6,506,951</u>
LIABILITIES	
Current liabilities	
Accrued liabilities	\$ 2,345
Due to primary government	89,843
Accrued compensated absences - current	<u>6,893</u>
Total Liabilities	<u>99,081</u>
NET POSITION	
Net investment in capital assets	2,502,265
Unrestricted	<u>3,905,605</u>
Total Net Position	<u>6,407,870</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 6,506,951</u>

City of Jasper, Texas

Statement of Revenues, Expenses, and Changes
in Net Position - Component Unit
Jasper Economic Development Corporation
Year Ended September 30, 2016

	Component Unit
	JEDCO
OPERATING REVENUES	
Taxes	
Sales taxes	\$ 1,081,197
Other taxes	11,600
Other revenues	11,428
Total revenues	<u>1,104,225</u>
OPERATING EXPENSES	
Economic development	
Administration	259,750
Industry development	112,312
Contributions to City	106,300
Marketing and promotion	7,200
Depreciation	65,940
Total expenses	<u>551,502</u>
Operating income	<u>552,723</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	14,281
Gain on Sale of Assets	15,503
Total nonoperating revenues (expenses)	<u>29,784</u>
Change in net position	582,507
Net position - beginning	5,736,571
<i>Prior period adjustment</i>	<u>88,792</u>
Net position - beginning, as restated	<u>5,825,363</u>
NET POSITION - ENDING	<u><u>\$ 6,407,870</u></u>

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OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, of City of Jasper, Texas as of and for the year ended September 30, 2016, and the related notes to financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated February 21, 2017.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Yours truly,

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas

February 21, 2017

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City of Jasper, Texas

Schedule of Findings and Responses

Year Ended September 30, 2016

SECTION I – 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 II – FINDINGS RELATED TO FINANCIAL STATEMENTS	
1. FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING	
None reported	
2. FINDINGS RELATED TO COMPLIANCE WITH LAWS AND REGULATIONS	
None reported	

City of Jasper, Texas

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2016

PRIOR YEAR FINDINGS

None reported

City of Jasper, Texas

Corrective Action Plan

Year Ended September 30, 2016

CURRENT YEAR FINDINGS

None reported

