

City of Jasper, Texas

Annual Financial Report

For the Fiscal Year Ended September 30, 2018

City of Jasper, Texas
 Annual Financial Report
 For the Fiscal Year Ended September 30, 2018
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Introductory Section

City of Jasper, Texas
Principal Officials
September 30, 2018

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

Financial Section

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Jasper, Texas (the City), as of and for the fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1.E. and Note 4.B. to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Beginning net position has been restated to reflect the change in accounting principle resulting from this statement. Our opinions are 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 the City's basic financial statements. The Introductory Section and Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
March 18, 2019

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Management's Discussion and Analysis

As management of the City of Jasper, Texas (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018. 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 \$62,193,538 (net position). Of this amount, \$30,493,617 (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 \$3,478,425 from current activities. This is due to an increase in governmental activities of \$2,815,279 and an increase in business-type activities of \$663,146.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,354,204, an increase of \$1,152,667 in current operations.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was a deficit of \$488,474 mainly due to construction commitments.
- The City's total long-term liabilities increased by \$2,654,306 during the fiscal year mainly due to the implementation of GASB 75.

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-type 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.

In fiscal year 2018, the City implemented the Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – which superseded GASB Statement No. 45.

Statement No. 75 establishes financial reporting standards and/or accounting standards for state and local government defined benefit other postemployment benefit (OPEB) plans and defined contribution OPEB plans. Statement No. 75 requires that, at transition, a government recognizes a beginning OPEB liability and beginning deferred outflow of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning OPEB liability. The implementation of this statement has no impact on the City's governmental fund financial statements. However, implementation has resulted in certain changes to the presentation of the City's government-wide and business-type financial statements. More information on the implementation of this statement and the City's OPEB plan is available in Note 1. E. and Note 4.B., respectively.

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

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

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

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

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

Proprietary Funds. The City charges customers for the services it provides, whether to outside customers or to other departments within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities, only in more detail. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses *enterprise* funds to account for its 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.

The financial statements for the Jasper Economic Development Corporation referred to earlier are presented immediately following the required supplemental 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 \$62,193,538 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 7,590,853	\$ 6,217,051	\$ 33,098,812	\$ 31,736,265	\$ 40,689,665	\$ 37,953,316
Capital assets	13,097,645	12,281,672	19,278,733	19,910,342	32,376,378	32,192,014
Total assets	20,688,498	18,498,723	52,377,545	51,646,607	73,066,043	70,145,330
Total deferred outflows of resources	338,077	981,180	264,215	770,925	602,292	1,752,105
Long-term liabilities outstanding	6,035,650	6,626,808	2,068,710	1,875,072	8,104,360	8,501,880
Other liabilities	924,806	719,070	1,525,554	1,478,747	2,450,360	2,197,817
Total liabilities	6,960,456	7,345,878	3,594,264	3,353,819	10,554,720	10,699,697
Total deferred inflows of resources	515,243	127,777	404,834	100,397	920,077	228,174
Net position:						
Net investment in capital assets	9,951,653	8,301,439	19,278,733	19,910,342	29,230,386	28,211,781
Restricted	2,469,535	1,864,509	-	-	2,469,535	1,864,509
Unrestricted	1,129,688	1,840,300	29,363,929	29,052,974	30,493,617	30,893,274
Total net position	\$ 13,550,876	\$ 12,006,248	\$ 48,642,662	\$ 48,963,316	\$ 62,193,538	\$ 60,969,564

The City's total assets of \$73,066,043 are largely comprised of capital assets, net of accumulated depreciation of \$29,230,386, or 40%. GASB Statement No. 34 requires that all capital assets, including infrastructure, be reported in the government-wide statements.

Long-term liabilities of \$8,104,360 comprise the largest portion of the City's total liabilities of \$10,554,720 at 77%. Of total long-term liabilities, \$1,285,000 is due within one year, with the remainder \$6,819,360 being due over a period of time greater than one year. A more in-depth discussion of long-term debt can be found in the notes to financial statements.

A significant portion of the City's net position (47%) 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 (4%) 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, 2018.

City of Jasper, Texas's Change in Net Position. Governmental and business-type activities combined to increase the City's net position by \$3,478,425 from current operations. The elements giving rise to this change may be determined from the table below.

	City of Jasper, Texas's Change in Net Position					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 2,077,351	\$ 2,032,251	\$ 20,052,400	\$ 21,512,000	\$ 22,129,751	\$ 23,544,251
Operating grants and contributions	216,376	387,574	-	-	216,376	387,574
Capital grants and contributions	350,501	51,595	184,460	-	534,961	51,595
General revenues:						
Taxes	4,908,941	4,668,591	-	-	4,908,941	4,668,591
Gain on sale of assets	-	67,500	-	-	-	67,500
Proceeds from insurance	223,330	28,386	53,690	-	277,020	28,386
Other revenues	34,495	37,123	-	-	34,495	37,123
Investment earnings	35,190	16,738	287,916	156,656	323,106	173,394
Total revenues	7,846,184	7,289,758	20,578,466	21,668,656	28,424,650	28,958,414
Expenses:						
General government	950,052	1,010,187	-	-	950,052	1,010,187
Finance	311,881	327,655	-	-	311,881	327,655
Intergovernmental service	469,677	496,079	-	-	469,677	496,079
Community services	1,967,851	2,011,747	-	-	1,967,851	2,011,747
Community development	1,746,810	1,647,489	-	-	1,746,810	1,647,489
Public safety	3,162,920	3,161,703	-	-	3,162,920	3,161,703
Interest and fees on debt	104,155	143,840	-	-	104,155	143,840
Water and sewer	-	-	3,449,956	3,352,497	3,449,956	3,352,497
Light and power	-	-	12,782,923	12,302,365	12,782,923	12,302,365
Total expenses	8,713,346	8,798,700	16,232,879	15,654,862	24,946,225	24,453,562
Increase (decrease) in net position before transfers	(867,162)	(1,508,942)	4,345,587	6,013,794	3,478,425	4,504,852
Transfers	3,682,441	3,791,637	(3,682,441)	(3,791,637)	-	-
Change in net position	2,815,279	2,282,695	663,146	2,222,157	3,478,425	4,504,852
Net position - beginning	12,006,248	9,723,553	48,963,316	46,741,159	60,969,564	56,464,712
Prior period adjustments (a)	(1,270,651)	-	(983,800)	-	(2,254,451)	-
Net position - beginning, as restated	10,735,597	9,723,553	47,979,516	46,741,159	58,715,113	56,464,712
Net position - ending	\$ 13,550,876	\$ 12,006,248	\$ 48,642,662	\$ 48,963,316	\$ 62,193,538	\$ 60,969,564

(a) The restatement of the beginning net position is the result of the City implementing GASB Statement No. 75 in fiscal year 2018. The implementation is discussed previously in MD&A.

Governmental Activities. The City's total revenues were \$7,846,184 from all governmental activities. A significant portion, \$4,908,941 or 63%, of the City's revenue comes from taxes. Charges for services revenue accounts for \$2,077,351, or 26%, of total revenue for governmental activities. There was no significant change in governmental activities revenues.

The total cost of all governmental programs and services was \$8,713,346. The public safety function accounted for \$3,162,920, or 36% of this total. The community services function accounted for \$1,967,851, or 23% of total expenditures. There were no significant changes in expenses in the current year.

Changes in net position increased \$3,682,441 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 \$663,146. 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 \$20,052,400 are utilized to provide funds for program expenses of \$16,232,879.

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

Financial Analysis of the City's Funds

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

As the City completed the year, its governmental funds as presented in the balance sheet, reported *combined* ending fund balances of \$6,354,204, which is an increase of \$1,152,667 from current operations. The General Fund is the primary operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was negative \$488,474 due to construction commitments. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 56% of total General Fund expenditures, respectively. The fund balance of the City's general fund increased by \$732,670 during the current year from current operations. For the most part, transfers from the water and sewer fund were the primary reason for the increase in fund balance, as the total revenues did not exceed total expenditures.

The debt service fund has a total fund balance of \$1,550,504 all of which is restricted for the payment of debt service. The fund balance of the debt service fund increased by \$468,979 from current operations. The increase in fund balance was primarily the result of no additional payments were made to reduce long-term liabilities as was done in the prior year.

The capital projects fund has a total fund balance of \$260,195, all of which is restricted for capital projects. The decrease in fund balance of \$49,982 results from decrease in transfers from other funds to fund costs of capital projects.

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

Unrestricted net position of the Water and Sewer Fund at the end of the current fiscal year amounted to \$703,550 and the Light and Power Fund amounted to \$28,660,379. The total decrease for the Water and Sewer Fund was \$521,389, and the total increase for the Light and Power Fund was \$1,184,535. Other factors concerning these funds have been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

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

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

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

Capital Assets and Long-Term Liabilities

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018 amounts to \$32,376,378 (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	
	2018	2017	2018	2017	2018	2017
Land and improvements	\$ 741,414	\$ 741,414	\$ 123,132	\$ 123,132	\$ 864,546	\$ 864,546
Construction in progress	594,996	277,600	28,619	-	623,615	277,600
Buildings and improvements	1,170,680	1,220,549	213,464	227,989	1,384,144	1,448,538
Improvements other than buildings	1,042,535	1,153,181	-	-	1,042,535	1,153,181
Utility systems	-	-	17,898,286	18,335,594	17,898,286	18,335,594
Machinery and equipment	3,509,903	3,549,127	1,015,232	1,223,627	4,525,135	4,772,754
Infrastructure	6,038,117	5,339,801	-	-	6,038,117	5,339,801
Total	\$ 13,097,645	\$ 12,281,672	\$ 19,278,733	\$ 19,910,342	\$ 32,376,378	\$ 32,192,014

Major capital asset purchases during the year included the following:

- \$537,236 Water and sewer tank improvements
- \$132,590 Steel trailers
- \$247,570 Street sweeper
- \$1,726,328 Street improvements

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

Construction commitments. At the end of the current fiscal year, the City's commitments with construction contractors for capital expenditures totaled \$4,115,661.

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	
	2018	2017	2018	2017	2018	2017
General obligation bonds, net	\$ 1,135,000	\$ 1,385,000	\$ -	\$ -	\$ 1,135,000	\$ 1,385,000
Certificates of obligation	2,271,187	2,904,410	-	-	2,271,187	2,904,410
Compensated absences	455,488	451,930	381,640	397,143	837,128	849,073
Net pension liability	594,491	1,539,171	467,101	1,209,350	1,061,592	2,748,521
OPEB liability	1,579,484	1,618,326	1,219,969	1,253,336	2,799,453	2,871,662
Total	\$ 6,035,650	\$ 7,898,837	\$ 2,068,710	\$ 2,859,829	\$ 8,104,360	\$ 10,758,666

The City's bonded debt and certificates of obligation decreased \$883,223 during the current year. The key factor in this decrease in scheduled debt payments and no new debt was issued.

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

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

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

Discretely Presented Component Unit

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

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

Economic Factors and Next Year's Budget and Rates

- The total tax rate will be \$.3182 per \$100 valuation in fiscal year 2018-2019 (\$.2157 for maintenance and operations and \$.1025 for interest and sinking).
- The unemployment rate for Jasper County, according to Texas Workforce statistics, is 6.1%, a decrease of 1.7% from last year's rate of 7.8%. The state unemployment rate, as recorded by the Bureau of Labor Statistics is 3.7%.
- The state sales tax receipts for the current fiscal year totaled \$3,264,919, an increase of \$203,420 or (7%) 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 2018-2019 fiscal year.

The City is estimating revenues of \$6,984,086 and appropriated expenditures of \$7,047,360 in the 2018-2019 fiscal year budget for the General Fund. The City reported a negative unassigned fund balance of \$488,474. This is a result of the construction commitments which will be funded by equal parts of the City's SRMPA funds and construction from JEDCO.

Request for Information

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

Basic Financial Statements

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City of Jasper, Texas
Statement of Net Position
September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Jasper EDC
ASSETS				
Cash and cash equivalents	\$ 5,628,041	\$ 25,864,045	\$ 31,492,086	\$ 3,504,148
Receivables (net):				
Property taxes	224,669	-	224,669	-
Sales, franchise, and other taxes	588,324	-	588,324	175,275
Accounts	156,086	1,909,467	2,065,553	-
Court fines	99,450	-	99,450	-
Intergovernmental	95,826	17,048	112,874	-
Other	20,708	97,842	118,550	1,998
Due from component unit	258,353	-	258,353	-
Internal balances	(387,747)	387,747	-	-
Inventories	42,754	419,404	462,158	-
Prepaid items	28,140	-	28,140	-
Restricted cash:				
Cash - construction	-	4,056,731	4,056,731	-
Cash - hotel/motel tax	332,752	-	332,752	-
Cash - courts	498,584	-	498,584	-
Cash - grants	4,913	-	4,913	-
Cash - meter deposits	-	346,528	346,528	-
Land held for resale	-	-	-	711,332
Capital assets not being depreciated:				
Land and improvements	741,414	123,132	864,546	110,393
Construction in progress	594,996	28,619	623,615	-
Capital assets:				
Buildings and improvements	2,521,524	606,910	3,128,434	781,087
Improvements other than buildings	4,910,888	-	4,910,888	-
Utility system	-	42,983,514	42,983,514	-
Machinery and equipment	10,722,736	4,823,878	15,546,614	-
Infrastructure	14,110,889	-	14,110,889	-
Industrial park	-	-	-	3,202,753
Signs	-	-	-	18,852
Office equipment	-	-	-	55,181
Accumulated depreciation	(20,504,802)	(29,287,320)	(49,792,122)	(973,832)
Total assets	20,688,498	52,377,545	73,066,043	7,587,187
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activities	108,534	85,277	193,811	-
Deferred outflow for pension contributions after the measurement date	213,921	168,082	382,003	-
Deferred outflows from OPEB activities	14,438	10,034	24,472	-
Deferred outflows for OPEB contributions after the measurement date	1,184	822	2,006	-
Total deferred outflows of resources	338,077	264,215	602,292	-
LIABILITIES				
Accounts payable	728,153	1,078,476	1,806,629	1,100
Escrow liability - seizure funds	50,237	-	50,237	-
Accrued liabilities	131,960	100,550	232,510	4,954
Accrued interest payable	12,276	-	12,276	-
Due to primary government	-	-	-	258,353
Unearned revenue	2,180	-	2,180	-
Payable from restricted assets:				
Customer meter deposits	-	346,528	346,528	-
Noncurrent liabilities:				
Due within one year	1,125,000	160,000	1,285,000	3,500
Due in more than one year	2,736,675	221,640	2,958,315	-
Net pension liability - long-term	594,491	467,101	1,061,592	-
OPEB liability - long term	1,579,484	1,219,969	2,799,453	-
Total liabilities	6,960,456	3,594,264	10,554,720	267,907
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activities	441,288	346,725	788,013	-
Deferred inflows for OPEB	73,955	58,109	132,064	-
Total deferred inflows of resources	515,243	404,834	920,077	-
NET POSITION				
Net investment in capital assets	9,951,653	19,278,733	29,230,386	3,194,434
Restricted for:				
Debt services	1,633,286	-	1,633,286	-
Hotel/motel tax	332,752	-	332,752	-
Courts	498,584	-	498,584	-
Grants and contributions	4,913	-	4,913	-
Unrestricted	1,129,688	29,363,929	30,493,617	4,124,846
TOTAL NET POSITION	\$ 13,550,876	\$ 48,642,662	\$ 62,193,538	\$ 7,319,280

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

City of Jasper, Texas
Statement of Activities
For the Fiscal Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 950,052	\$ 172,425	\$ -	\$ -
Finance	311,881	-	-	-
Intergovernmental services	469,677	-	-	-
Community services	1,967,851	1,359,831	21,388	-
Community development	1,746,810	95,248	87,837	350,501
Public safety	3,162,920	449,847	107,151	-
Interest and fees on debt	104,155	-	-	-
Total governmental activities	8,713,346	2,077,351	216,376	350,501
Business-type activities:				
Water and sewer	3,449,956	3,417,325	-	141,437
Light and power	12,782,923	16,635,075	-	43,023
Total business-type activities	16,232,879	20,052,400	-	184,460
TOTAL PRIMARY GOVERNMENT	\$ 24,946,225	\$ 22,129,751	\$ 216,376	\$ 534,961
COMPONENT UNIT:				
Jasper Economic Development Corp.	\$ 848,075	\$ -	\$ -	\$ -
General revenues:				
Property taxes				
Franchise taxes				
Sales taxes				
Other taxes				
Gain on sale of assets				
Proceeds from insurance				
Other revenues				
Unrestricted investment earnings				
Transfers				
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
Governmental Activities	Business-type Activities	Total	JEDCO
\$ (777,627)	\$ -	\$ (777,627)	\$ -
(311,881)	-	(311,881)	-
(469,677)	-	(469,677)	-
(586,632)	-	(586,632)	-
(1,213,224)	-	(1,213,224)	-
(2,605,922)	-	(2,605,922)	-
(104,155)	-	(104,155)	-
(6,069,118)	-	(6,069,118)	-
-	108,806	108,806	-
-	3,895,175	3,895,175	-
-	4,003,981	4,003,981	-
(6,069,118)	4,003,981	(2,065,137)	-
			(848,075)
1,138,043	-	1,138,043	-
161,486	-	161,486	-
3,264,919	-	3,264,919	1,086,228
344,493	-	344,493	4,350
-	-	-	1,404
223,330	53,690	277,020	-
34,495	-	34,495	650
35,190	287,916	323,106	14,018
3,682,441	(3,682,441)	-	-
8,884,397	(3,340,835)	5,543,562	1,106,650
2,815,279	663,146	3,478,425	258,575
12,006,248	48,963,316	60,969,564	7,060,705
(1,270,651)	(983,800)	(2,254,451)	-
10,735,597	47,979,516	58,715,113	7,060,705
<u>\$ 13,550,876</u>	<u>\$ 48,642,662</u>	<u>\$ 62,193,538</u>	<u>\$ 7,319,280</u>

City of Jasper, Texas
 Balance Sheet - Governmental Funds
 September 30, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,974,465	\$ 1,375,997	\$ 277,579	\$ 5,628,041
Receivables (net):				
Property taxes	129,611	95,058	-	224,669
Sales, franchise, and other taxes	413,049	175,275	-	588,324
Accounts	156,086	-	-	156,086
Court fines	99,450	-	-	99,450
Intergovernmental	95,826	-	-	95,826
Other	20,708	-	-	20,708
Due from other funds	768	-	-	768
Due from component unit	258,353	-	-	258,353
Inventories	42,754	-	-	42,754
Prepaid items	28,140	-	-	28,140
Restricted cash:				
Cash - hotel/motel tax	332,752	-	-	332,752
Cash - courts	498,584	-	-	498,584
Cash - grants	4,913	-	-	4,913
TOTAL ASSETS	<u>\$ 6,055,459</u>	<u>\$ 1,646,330</u>	<u>\$ 277,579</u>	<u>\$ 7,979,368</u>
LIABILITIES				
Accounts payable	\$ 710,769	\$ -	\$ 17,384	\$ 728,153
Escrow liability - seizure funds	50,237	-	-	50,237
Accrued liabilities	131,960	-	-	131,960
Due to other funds	387,747	768	-	388,515
Unearned revenue	2,180	-	-	2,180
Total liabilities	1,282,893	768	17,384	1,301,045
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	129,611	95,058	-	224,669
Unavailable revenue - court fines	99,450	-	-	99,450
Total deferred inflows of resources	229,061	95,058	-	324,119
FUND BALANCES				
Nonspendable inventories	42,754	-	-	42,754
Nonspendable prepaid items	28,140	-	-	28,140
Restricted - debt	-	1,550,504	-	1,550,504
Restricted - capital projects	-	-	260,195	260,195
Restricted - hotel/motel tax	332,752	-	-	332,752
Restricted - courts	498,584	-	-	498,584
Restricted - grants and contributions	4,913	-	-	4,913
Assigned - construction	4,115,661	-	-	4,115,661
Assigned - purchases on order	9,175	-	-	9,175
Unassigned fund balance	(488,474)	-	-	(488,474)
Total fund balances	<u>4,543,505</u>	<u>1,550,504</u>	<u>260,195</u>	<u>6,354,204</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 6,055,459</u>	<u>\$ 1,646,330</u>	<u>\$ 277,579</u>	<u>\$ 7,979,368</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, 2018

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 6,354,204

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	\$ 33,602,447	
Accumulated depreciation of governmental capital assets	(20,504,802)	13,097,645

Property taxes receivable, which will be collected subsequent to year-end, are not available soon enough to pay expenditures and, therefore, are deferred in the funds.		224,669
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Court fines receivable, which will be collected subsequent to year-end, are not available soon enough to pay expenditures and, therefore, are deferred in the funds.		99,450
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Long-term liabilities, including bonds and certificates of obligation payable, compensated absences, OPEB liability, 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	\$ (3,360,000)	
Premium on debt issues	(46,187)	
Accrued interest on debt	(12,276)	
Compensated absences	(455,488)	
Net pension liability	(594,491)	
OPEB liability	(1,579,484)	(6,047,926)

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.		322,455
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Deferred inflows of resources for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.		(441,288)
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Deferred outflows of resources for OPEB represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.		15,622
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Deferred inflows of resources for OPEB represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.		(73,955)
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NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 13,550,876

City of Jasper, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds For the Fiscal Year Ended September 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Property taxes	\$ 764,710	\$ 365,918	\$ -	\$ 1,130,628
Franchise taxes	161,486	-	-	161,486
Sales taxes	2,178,691	1,086,228	-	3,264,919
Other taxes	344,493	-	-	344,493
Licenses and permits	31,770	-	-	31,770
Intergovernmental	335,396	-	-	335,396
Other grants and contributions	126,009	-	-	126,009
Charges for services	1,349,891	-	-	1,349,891
Fines and forfeitures	443,786	-	-	443,786
Rents and royalties	238,626	-	-	238,626
Investment earnings	27,054	7,370	766	35,190
Capital contributions from JEDCO	113,925	-	-	113,925
Other revenues	34,495	-	-	34,495
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	6,150,332	1,459,516	766	7,610,614
EXPENDITURES				
Current:				
General government	933,554	-	-	933,554
Finance	307,680	-	-	307,680
Intergovernmental services	398,524	-	-	398,524
Community services	1,520,935	-	-	1,520,935
Community development	560,345	-	5,159	565,504
Public safety	2,896,815	-	-	2,896,815
Debt service:				
Principal	-	880,000	-	880,000
Interest and fees	-	110,537	-	110,537
Capital outlay:				
Governmental activities	1,486,102	-	1,264,067	2,750,169
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	8,103,955	990,537	1,269,226	10,363,718
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	(1,953,623)	468,979	(1,268,460)	(2,753,104)
OTHER FINANCING SOURCES (USES)				
Proceeds from insurance	223,330	-	-	223,330
Transfers in (out)	2,462,963	-	1,219,478	3,682,441
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	2,686,293	-	1,219,478	3,905,771
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	732,670	468,979	(48,982)	1,152,667
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	3,810,835	1,081,525	309,177	5,201,537
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES, END OF YEAR	<u>\$ 4,543,505</u>	<u>\$ 1,550,504</u>	<u>\$ 260,195</u>	<u>\$ 6,354,204</u>

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

City of Jasper, Texas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended September 30, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 1,152,667
<p>Some property taxes will not be collected for several months after the City's fiscal year end and are not considered "available" revenues and, therefore, are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year.</p>		
		7,415
<p>Some court revenue will not be collected for several months after the City's fiscal year end and are not considered "available" revenues and, therefore, are deferred in the governmental funds. Deferred court revenues increased (decreased) by this amount this year.</p>		
		4,825
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$ 2,750,169	
Depreciation expense	<u>(1,934,196)</u>	815,973
<p>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.</p>		
		880,000
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due, and includes amortization of related long-term debt accounts. The (increase) decrease in interest expense reported in the statement of activities consist of the following:</p>		
Accrued interest on bonds payable decreased (increased)	\$ 3,159	
Amortization of bond premium	<u>3,223</u>	6,382
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:</p>		
Compensated absences liability decreased (increased)		(3,558)
<p>The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:</p>		
Deferred outflows increased (decreased)	\$ (658,725)	
Deferred inflows (increased) decreased	(313,511)	
Net pension liability (increased) decreased	<u>944,680</u>	(27,556)
<p>The net change in OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:</p>		
Deferred outflows increased (decreased)	\$ 14,244	
Deferred inflows (increased) decreased	(73,955)	
OPEB liability (increased) decreased	<u>38,842</u>	<u>(20,869)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 2,815,279</u>

City of Jasper, Texas
Statement of Net Position
Proprietary Funds
September 30, 2018

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Light and Power Fund	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,640,087	\$ 24,223,958	\$ 25,864,045
Restricted cash - construction	-	4,056,731	4,056,731
Restricted cash - customer meter deposits	-	346,528	346,528
Receivables (net)			
Accounts	514,440	1,395,027	1,909,467
Intergovernmental	13,516	3,532	17,048
Other	24,617	73,225	97,842
Due from other funds	-	804,707	804,707
Inventories	-	419,404	419,404
Total current assets	2,192,660	31,323,112	33,515,772
Noncurrent assets			
Capital assets			
Land and improvements	68,382	54,750	123,132
Construction in progress	-	28,619	28,619
Buildings and improvements	281,889	325,021	606,910
Utility systems	30,868,291	12,115,223	42,983,514
Machinery and equipment	2,208,792	2,615,086	4,823,878
Accumulated depreciation	(18,322,332)	(10,964,988)	(29,287,320)
Total noncurrent assets	15,105,022	4,173,711	19,278,733
Total assets	17,297,682	35,496,823	52,794,505
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pension activities	34,886	50,391	85,277
Deferred outflow for pension contribution after the measurement date	68,761	99,321	168,082
Deferred outflows from OPEB / TMRS activities	4,405	5,629	10,034
Deferred outflow for OPEB / TMRS contribution after the measurement date	361	461	822
Total deferred outflows of resources	108,413	155,802	264,215
LIABILITIES			
Current liabilities			
Accounts payable	87,752	990,724	1,078,476
Accrued liabilities	46,970	53,580	100,550
Due to other funds	416,960	-	416,960
Customer meter deposits	-	346,528	346,528
Accrued compensated absences - current	80,000	80,000	160,000
Total current liabilities	631,682	1,470,832	2,102,514
Noncurrent liabilities			
Accrued compensated absences - long term	105,239	116,401	221,640
Net pension liability - long term	191,087	276,014	467,101
OPEB liability / retiree health - long term	433,160	625,676	1,058,836
OPEB liability / TMRS - long term	70,741	90,392	161,133
Total noncurrent liabilities	800,227	1,108,483	1,908,710
Total liabilities	1,431,909	2,579,315	4,011,224
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows for pensions	141,842	204,883	346,725
Deferred inflows for OPEB / retiree health	23,772	34,337	58,109
Total deferred inflows of resources	165,614	239,220	404,834
NET POSITION			
Net investment in capital assets	15,105,022	4,173,711	19,278,733
Unrestricted	703,550	28,660,379	29,363,929
TOTAL NET POSITION	\$ 15,808,572	\$ 32,834,090	\$ 48,642,662

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

City of Jasper, Texas

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds For the Fiscal Year Ended September 30, 2018

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Light and Power Fund	Totals
OPERATING REVENUES			
Electrical services (less bad debt of \$51,265)	\$ -	\$ 12,456,399	\$ 12,456,399
Sale of excess electrical power	-	4,151,546	4,151,546
Water sales (less bad debt of \$8,971)	1,959,524	-	1,959,524
Sewer services	1,423,086	-	1,423,086
Tapping fees	12,719	-	12,719
Cut-in fees	13,363	17,237	30,600
Miscellaneous income	8,633	9,893	18,526
Total operating revenues	3,417,325	16,635,075	20,052,400
OPERATING EXPENSES			
Water production	401,777	-	401,777
Water distribution	576,024	-	576,024
Sewer collection	479,150	-	479,150
Sewer treatment	619,912	-	619,912
Public works	294,702	-	294,702
Power production	-	11,195,430	11,195,430
Right of way	-	384,156	384,156
Inspection	-	216,359	216,359
Customer service	-	523,903	523,903
Nondepartmental: Depreciation	1,078,391	463,075	1,541,466
Total operating expenses	3,449,956	12,782,923	16,232,879
Operating income (loss)	(32,631)	3,852,152	3,819,521
NONOPERATING REVENUES (EXPENSES)			
Proceeds from insurance	30,547	23,143	53,690
Investment earnings	4,131	283,785	287,916
Total nonoperating revenues (expenses)	34,678	306,928	341,606
Income before capital contributions and transfers	2,047	4,159,080	4,161,127
Capital contribution - grants	115,158	43,023	158,181
Capital contributions from JEDCO	26,279	-	26,279
Transfers in (out)	(664,873)	(3,017,568)	(3,682,441)
Total capital contributions and transfers	(523,436)	(2,974,545)	(3,497,981)
Change in net position	(521,389)	1,184,535	663,146
Net position, beginning of year	16,722,480	32,240,836	48,963,316
Prior period adjustment	(392,519)	(591,281)	(983,800)
Net position - Beginning, as restated	16,329,961	31,649,555	47,979,516
NET POSITION, END OF YEAR	\$ 15,808,572	\$ 32,834,090	\$ 48,642,662

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

City of Jasper, Texas
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2018

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Light and Power Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for account services	\$ 3,373,011	\$ 16,469,300	\$ 19,842,311
Cash payments for operating expenses	(900,332)	(10,511,866)	(11,412,198)
Cash payments to employees for services	(1,425,340)	(1,688,032)	(3,113,372)
Net cash provided by operating activities	1,047,339	4,269,402	5,316,741
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(664,873)	(3,017,568)	(3,682,441)
Insurance proceeds	30,547	23,143	53,690
Net cash used for noncapital financing activities	(634,326)	(2,994,425)	(3,628,751)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Grant contributions	127,921	39,491	167,412
Purchase of capital assets	(651,096)	(258,761)	(909,857)
Net cash used for capital & related financing activities	(523,175)	(219,270)	(742,445)
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on investments	4,131	283,785	287,916
Net cash provided by investing activities	4,131	283,785	287,916
Net increase (decrease) in cash and cash equivalents	(106,031)	1,339,492	1,233,461
Cash and cash equivalents, beginning of year, including restricted cash	1,746,118	27,287,725	29,033,843
CASH AND CASH EQUIVALENTS, END OF YEAR, INCLUDING RESTRICTED CASH	\$ 1,640,087	\$ 28,627,217	\$ 30,267,304
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (32,631)	\$ 3,852,152	\$ 3,819,521
Adjustments to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation and amortization	1,078,391	463,075	1,541,466
(Increase) decrease in receivables	(44,314)	(183,013)	(227,327)
(Increase) decrease in due from other funds	-	57,860	57,860
(Increase) decrease in inventories	-	10,514	10,514
(Increase) decrease in deferred outflows for pensions	211,731	305,835	517,566
(Increase) decrease in deferred outflows for OPEB	(4,766)	(6,090)	(10,856)
Increase (decrease) in accounts payable	(12,891)	39,305	26,414
Increase (decrease) in accrued liabilities	3,010	145	3,155
Increase (decrease) in due to other funds	46,915	-	46,915
Increase (decrease) in customer meter deposits	-	17,238	17,238
Increase (decrease) in accrued compensated absences	(6,424)	(9,079)	(15,503)
Increase (decrease) in other postemployment benefits	(12,578)	(19,832)	(32,410)
Increase (decrease) in net pension liability	(303,647)	(438,602)	(742,249)
Increase (decrease) in deferred inflows for pensions	100,771	145,557	246,328
Increase (decrease) in deferred inflows for OPEB	23,772	34,337	58,109
Total adjustments	1,079,970	417,250	1,497,220
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,047,339	\$ 4,269,402	\$ 5,316,741

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

City of Jasper, Texas

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

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

B. Reporting Entity

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

Discretely Presented Component Unit

Jasper Economic Development Corporation (JEDCO) – Established in 1992, JEDCO is a nonprofit industrial development corporation specifically governed by Section 4A of the Development Corporation Act. The purpose of JEDCO is to promote, assist, and enhance economic development in the Jasper area. JEDCO is governed by a board of directors appointed by the City Council. The economic development efforts of JEDCO have the potential for financial benefit for the City. Complete financial statements of JEDCO may be obtained from: Jasper Economic Development Corporation, 500 South Wheeler Street, Jasper, Texas 75951.

C. Basis of Presentation – Government-wide Financial Statements

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

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

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

D. Basis of Presentation – Fund Financial Statements

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

City of Jasper, Texas

Notes to the Financial Statements

The City reports the following major governmental funds:

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

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

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

The government reports the following major enterprise funds:

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

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

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

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

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

E. Change in Accounting Principle

In fiscal year 2018, the City implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – which supersedes GASB Statement No. 45.

City of Jasper, Texas

Notes to the Financial Statements

The requirements of Statement No. 75 apply to the financial statements of all state and local government employers whose employees are provided postemployment benefits other than pensions (other postemployment benefits or OPEB). This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense related to the OPEB plans. Note disclosure and required supplementary information requirements about the OPEB plans also are addressed. The implementation of Statement No. 75 has no impact on the City's governmental fund financial statements, which continue to report expenditures in the contribution amount determined actuarially and approved by City Council. Refer to Note 4.B. for more information regarding the City's OPEB plans. The implementation of Statement No. 75 resulted in the retroactive restatement of the City's beginning net position by \$2,254,451. See Note 4.H. for details of the City's prior period adjustment and restatement of beginning net position.

F. 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*.

City of Jasper, Texas

Notes to the Financial Statements

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

1. Cash and Cash Equivalents

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

2. Inventories and Prepaid Items

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

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

3. Land held for resale

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

4. Capital Assets

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

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

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

City of Jasper, Texas

Notes to the Financial Statements

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

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

Deferred outflows/inflows of resources are amortized as follows:

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

6. *Net Position Flow Assumption*

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

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

City of Jasper, Texas

Notes to the Financial Statements

7. Fund Balance Flow Assumptions

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

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.

9. Pensions and OPEB

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

H. Revenues and Expenditures/Expenses

1. Program Revenues

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

City of Jasper, Texas

Notes to the Financial Statements

2. Property Taxes

Property values are determined by the County Appraisal District as of July 31 of each year. Prior to October 1 of each year, the City sets its tax rate thus creating the tax levy. The taxes are levied and payable October 1 on property values assessed as of January 1. Taxes may be paid without penalty before February 1 of the following year and create a tax lien as of July 1 of each year. The tax assessor/collector for Jasper County bills and collects the property taxes for the City. City property tax revenues are recognized when levied to the extent that they result in current receivables. The combined current tax rate to finance general governmental services and payment of principal and interest on long-term debt for the fiscal year ended September 30, 2018 was \$0.3182 per \$100, allocated \$0.2157 for the General Fund and \$0.1025 for the Debt Service Fund.

3. Compensated Absences

The City and JEDCO employees are paid for absence due to vacation or sickness according to a prescribed policy. Employees can carry forward up to 160 hours of vacation. Payment for unused vacation is made upon termination of employment with more than 6 months service. Employees are also allowed to carry forward up to 840 or 720 hours of sick leave depending on the employee's hire date. Also, upon retirement or resignation in good standing the City will pay 100% or 33% of unused sick leave depending on the employee's hire date. Accordingly, these financial statements reflect the accrual of vacation and unused sick leave at September 30, 2018. 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.

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.

City of Jasper, Texas

Notes to the Financial Statements

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, 2018, 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	\$ 278,934	\$ -
General fund - construction	-	4,115,661
General fund - purchase on order	-	9,175
Total	\$ 278,934	\$ 4,124,836

The City has encumbrances and construction commitments in the capital projects fund totaling \$278,934. The excess amount of \$18,739 in encumbrances over the fund balance of \$260,195 will be funded by future transfers in. The City intends to fund the general fund construction commitment with equal parts of the City's SRMPA funds and contributions from JEDCO.

Note 3. Detailed Notes on All Funds

A. Cash and Investments

Primary Government

At September 30, 2018, the carrying amount of the City's deposits included cash, certificates of deposit and interest-bearing savings accounts. At September 30, 2018, all bank balances were insured or collateralized with securities held by the custodian in the City's name. The City's cash equivalents consisted of certificates of deposits at fiscal year end.

City of Jasper, Texas

Notes to the Financial Statements

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

Interest rate risk

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

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For fiscal year 2018, the City is not exposed to credit risk as all cash equivalents are certificates of deposit with bank depository, which are insured or collateralized.

Concentration of credit risk

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

Custodial credit risk – deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2018, 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 as the cash equivalents and certificates of deposit at bank depository are insured or registered in the City's name or the investments are held by the City or its agent.

City of Jasper, Texas

Notes to the Financial Statements

Component Unit - JEDCO

JEDCO maintains deposits at national banks and a credit union. At September 30, 2018, the carrying amount of JEDCO's deposits (cash, certificates of deposit and interest-bearing savings accounts) was \$3,504,148 and the depositories balances totaled \$3,540,221.

At September 30, 2018, the JEDCO's deposits were held at various depository banks. Deposit balances of \$453,407 held at DuGood Federal Credit Union were covered by \$250,000 National Credit Union Insurance Fund and \$203,407 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
Construction	\$ -	\$ 4,056,731	\$ 4,056,731
Hotel/motel tax	332,752	-	332,752
Courts	498,584	-	498,584
Grants and contributions	4,913	-	4,913
Meter deposits	-	346,528	346,528
Total restricted assets	\$ 836,249	\$ 4,403,259	\$ 5,239,508

C. Receivables

Allowances for uncollectibles at September 30, 2018 for the City's individual major governmental and proprietary funds are as follows:

	General Fund	Debt Service Fund	Water and Sewer Fund	Light and Power Fund	Total
Property taxes	\$ (6,000)	\$ (4,000)	\$ -	\$ -	\$ (10,000)
Accounts	(82,402)	-	(192,272)	(1,098,699)	(1,373,373)
Court fines	(895,048)	-	-	-	(895,048)

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

City of Jasper, Texas
Notes to the Financial Statements

D. Interfund Balances and Activity

Primary Government:

1. Interfund Receivables and Payables

Interfund receivables and payables of the various funds at September 30, 2018 were as follows:

	Interfund Receivables	Interfund Payables
General	\$ 768	\$ 387,747
Debt service	-	768
Water and sewer	-	416,960
Light and power	804,707	-
Totals	\$ 805,475	\$ 805,475

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, 2018.

Transfers out	Transfer in General Fund	Transfer in Capital Projects Fund	Transfer in Water and Sewer Fund	Transfer in Light and Power Fund	Total
Capital projects	\$ -	\$ -	\$ 106,969	\$ 37,451	\$ 144,420
Water and sewer	701,284	-	-	70,558	771,842
Light and power	1,761,679	1,363,898	-	-	3,125,577
Totals	\$ 2,462,963	\$ 1,363,898	\$ 106,969	\$ 108,009	\$ 4,041,839

City of Jasper, Texas
Notes to the Financial Statements

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

3. Component Unit - JEDCO

Amounts receivable and payable between the City and its component unit at September 30, 2018 were as follows:

Primary Government/Component Unit	Receivables	Payables
City - General fund	\$ 258,353	\$ -
Component unit - JEDCO	-	258,353
Totals	\$ 258,353	\$ 258,353

The receivable and payable between the City and its component unit consist of payroll administration expenditures of \$5,628 and expenditures of \$252,725 for JEDCO portion of Main Street construction project in progress.

E. Capital Assets

Primary Government

Capital asset activity for the year ended September 30, 2018 is as follows:

	Beginning Balance	Increases	Decreases	Adjustments and Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 741,414	\$ -	\$ -	\$ -	\$ 741,414
Construction in progress	277,600	317,396	-	-	594,996
Total capital assets, not being depreciated	1,019,014	317,396	-	-	1,336,410
Depreciable assets:					
Buildings and improvements	2,521,524	-	-	-	2,521,524
Improvements other than buildings	4,910,888	-	-	-	4,910,888
Machinery and equipment	10,016,291	706,445	-	-	10,722,736
Infrastructure	12,384,561	1,726,328	-	-	14,110,889
Total depreciable assets	29,833,264	2,432,773	-	-	32,266,037
Less accumulated depreciation for:					
Buildings and improvements	(1,300,975)	(49,869)	-	-	(1,350,844)
Improvements other than buildings	(3,757,707)	(110,646)	-	-	(3,868,353)
Machinery and equipment	(6,467,164)	(745,669)	-	-	(7,212,833)
Infrastructure	(7,044,760)	(1,028,012)	-	-	(8,072,772)
Total accumulated depreciation	(18,570,606)	(1,934,196)	-	-	(20,504,802)
Total depreciable assets, net	11,262,658	498,577	-	-	11,761,235
Governmental activities capital assets, net	\$ 12,281,672	\$ 815,973	\$ -	\$ -	\$ 13,097,645

City of Jasper, Texas
Notes to the Financial Statements

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

Governmental activities:	
General government	\$ 12,562
Finance	2,020
Intergovernmental services	66,227
Community services	436,608
Community development	1,174,422
Public safety	242,357
	<hr/>
Total	\$ 1,934,196

	Beginning Balance	Increases	Decreases	Adjustments and Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 123,132	\$ -	\$ -	\$ -	\$ 123,132
Construction in progress	-	28,619	-	-	28,619
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, not being depreciated	123,132	28,619	-	-	151,751
Depreciable assets:					
Buildings and improvements	606,910	-	-	-	606,910
Utility systems	42,168,362	815,152	-	-	42,983,514
Machinery and equipment	4,757,792	66,086	-	-	4,823,878
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total depreciable assets	47,533,064	881,238	-	-	48,414,302
Less accumulated depreciation for:					
Buildings and improvements	(378,921)	(14,525)	-	-	(393,446)
Utility systems	(23,832,768)	(1,252,460)	-	-	(25,085,228)
Machinery and equipment	(3,534,165)	(274,481)	-	-	(3,808,646)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	(27,745,854)	(1,541,466)	-	-	(29,287,320)
Total depreciable assets, net	19,787,210	(660,228)	-	-	19,126,982
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Business-type activities capital assets, net	\$ 19,910,342	\$ (631,609)	\$ -	\$ -	\$ 19,278,733

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

Business-type activities:	
Water and sewer	\$ 1,078,391
Light and power	463,075
	<hr/>
Total business-type activities	\$ 1,541,466

Construction Commitments

The City has active construction projects as of September 30, 2018. The project includes construction at Sandy Creek Park and Street Improvements. At year end, the City's commitments with contractors are \$4,115,661. The commitments for construction are being financed one half by the Lighting and Power Fund with Sam Rayburn Municipal Power Authority (SRMPA) Cambridge funds and the other half by JEDCO.

City of Jasper, Texas
Notes to the Financial Statements

Component Unit - JEDCO

Activity for the component unit for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	and Transfers	Ending Balance
Component unit:					
Capital assets, not being depreciated:					
Land and improvements	\$ 110,393	\$ -	\$ -	\$ -	\$ 110,393
Construction in progress	508,763	272,324	-	(781,087)	-
Total capital assets, not being depreciated	619,156	272,324	-	(781,087)	110,393
Depreciable assets:					
Buildings and improvements	-	-	-	781,087	781,087
Industrial park	3,202,753	-	-	-	3,202,753
Signs	18,852	-	-	-	18,852
Office equipment	7,807	47,374	-	-	55,181
Total depreciable assets	3,229,412	47,374	-	781,087	4,057,873
Less accumulated depreciation for:					
Buildings and improvements	-	(2,604)	-	-	(2,604)
Industrial park	(880,785)	(64,055)	-	-	(944,840)
Signs	(14,724)	(901)	-	-	(15,625)
Office equipment	(7,807)	(2,956)	-	-	(10,763)
Total accumulated depreciation	(903,316)	(70,516)	-	-	(973,832)
Total depreciable assets, net	2,326,096	(23,142)	-	781,087	3,084,041
Component unit capital assets, net	<u>\$ 2,945,252</u>	<u>\$ 249,182</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,194,434</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, net pension liability, and other postemployment benefits. The requirements for the general obligation bonds and certificates of obligation principal and interest payments are accounted for in the Debt Service Fund. Compensated absences, other postemployment benefits, and net pension liability are generally liquidated by the General Fund, Water and Sewer Fund, and Light and Power Fund.

City of Jasper, Texas
Notes to the Financial Statements

Changes in Long-term Liabilities

Changes in long-term obligations for the period ended September 30, 2018, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 1,385,000	\$ -	\$ (250,000)	\$ 1,135,000	\$ 265,000
Certificates of obligation	2,855,000	-	(630,000)	2,225,000	650,000
Deferred amounts:					
For issuance premiums	49,410	-	(3,223)	46,187	-
Total bonds payable, net	4,289,410	-	(883,223)	3,406,187	915,000
Compensated absences	451,930	235,316	(231,758)	455,488	210,000
Net pension liability	1,539,171	2,029,781	(2,974,461)	594,491	-
OPEB liability / retiree health*	1,417,825	87,353	(157,568)	1,347,610	-
OPEB liability / TMRS*	200,501	33,301	(1,928)	231,874	-
Total governmental activities long-term liabilities	\$ 7,898,837	\$ 2,385,751	\$ (4,248,938)	\$ 6,035,650	\$ 1,125,000
Business-type activities:					
Compensated absences	\$ 397,143	\$ 153,835	\$ (169,338)	\$ 381,640	\$ 160,000
Net pension liability	1,209,350	1,594,828	(2,337,077)	467,101	-
OPEB liability / retiree health*	1,114,005	68,635	(123,804)	1,058,836	-
OPEB liability / TMRS*	139,331	23,142	(1,340)	161,133	-
Total business-type activities long-term liabilities	\$ 2,859,829	\$ 1,840,440	\$ (2,631,559)	\$ 2,068,710	\$ 160,000

* Per GASB 75, beginning balance for net OPEB liability includes the restatement of net OPEB liability as of October 1, 2017.

Component Unit - JEDCO

Compensated absences	\$ 6,893	\$ 5,746	\$ (9,139)	\$ 3,500	\$ 3,500
Total	\$ 6,893	\$ 5,746	\$ (9,139)	\$ 3,500	\$ 3,500

Primary Government:

General Obligation Bonds Payable

Governmental activities:

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

\$ 1,135,000

Total general obligation bonds payable

\$ 1,135,000

City of Jasper, Texas
Notes to the Financial Statements

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

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
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	\$ 1,135,000	\$ 92,955	\$ 1,227,955

Certificates of Obligation

Governmental activities:

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

\$ 155,000

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

2,070,000

\$ 2,225,000

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

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 650,000	\$ 43,700	\$ 693,700
2020	510,000	30,550	540,550
2021	70,000	24,750	94,750
2022	70,000	23,350	93,350
2023	70,000	21,950	91,950
2024	75,000	20,500	95,500
2025	75,000	19,000	94,000
2026	80,000	17,450	97,450
2027	80,000	15,850	95,850
2028	85,000	13,988	98,988
2029	85,000	11,862	96,862
2030	90,000	9,675	99,675
2031	90,000	7,200	97,200
2032	95,000	4,425	99,425
2033	100,000	1,500	101,500
Totals	\$ 2,225,000	\$ 265,750	\$ 2,490,750

City of Jasper, Texas
Notes to the Financial Statements

Note 4. Other Information

A. Pension Information

Plan Description

The City of Jasper participates in one of 883 nontraditional, joint contributory, hybrid defined benefit pension plans administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

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

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 2017	Plan Year 2016
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100%	100%
Annuity increase (to retirees)	70% of CPI	70% of CPI
Supplemental death benefit to active employees	Yes	Yes
Supplemental death benefit to retirees	Yes	Yes

City of Jasper, Texas

Notes to the Financial Statements

Employees Covered by Benefit Terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	75
Inactive employees entitled to but not yet receiving benefits	49
Active employees	119
	<hr/>
	243
	<hr/> <hr/>

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 9.59% and 9.52% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were \$530,845, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

City of Jasper, Texas

Notes to the Financial Statements

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, Gabriel Roeder Smith & Company (GRS) focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

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

Discount Rate

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

City of Jasper, Texas
Notes to the Financial Statements

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2016	\$ 24,696,450	\$ 21,947,929	\$ 2,748,521
Changes for the year			
Service cost	666,063	-	666,063
Interest	1,645,742	-	1,645,742
Difference between expected and actual experience	(74,197)	-	(74,197)
Changes of assumptions	-	-	-
Contributions - employer	-	522,285	(522,285)
Contributions - employee	-	381,230	(381,230)
Net investment income	-	3,037,584	(3,037,584)
Benefit payments, including refunds of employee contributions	(1,296,242)	(1,296,242)	-
Administrative expense	-	(15,764)	15,764
Other changes	-	(798)	798
Net changes	941,366	2,628,295	(1,686,929)
Balance at December 31, 2017	\$ 25,637,816	\$ 24,576,224	\$ 1,061,592

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability	\$ 4,147,056	\$ 1,061,592	\$ (1,522,025)

Pension Plan Fiduciary Net Position

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

City of Jasper, Texas

Notes to the Financial Statements

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

For the year ended September 30, 2018, the City recognized pension expense of \$580,045.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,266	\$ 184,919
Changes in actuarial assumptions	185,545	-
Difference between projected and actual investment earnings	-	603,094
Contributions subsequent to the measurement date	382,003	-
Totals	\$ 575,814	\$ 788,013

\$382,003 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	
2019	\$ 87,138
2020	(39,631)
2021	(329,573)
2022	(312,136)
Totals	\$ (594,202)

B. Other Postemployment Benefits

Plan Descriptions

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

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting. 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 the Financial Statements

Retiree Health Plan

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

Benefits Provided

TMRS

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

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	60
Inactive employees entitled to but not yet receiving benefits	12
Active employees	119
	<hr/>
	191
	<hr/> <hr/>

Retiree Health

An employee is eligible to elect medical coverage upon retiring or disability. Eligibility is based on 20 years of service with the City of Jasper. Spouses of retiring members are also eligible for health and life benefits under the plan, however they are responsible for full cost of coverage. The City pays \$1,041 in premiums per month per retiree. The benefit terms provide the eligible employee with payment of 60-80% of annual health care expenses. The City of Jasper provides a life insurance benefit based on salary at a rate of \$0.413 per unit of insurance.

At the October 1, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	9
Active employees	21
	<hr/>
	30
	<hr/> <hr/>

City of Jasper, Texas
Notes to the Financial Statements

Contributions

TMRS

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

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

The retiree portion of contribution rates to the SDBF for the City was 0.06% and 0.05% in calendar years 2017 and 2018, respectively. The City's contributions to the SDBF for the year ended September 30, 2018 were \$2,938, and were equal to the required contributions.

Retiree Health

The contributions requirement for plan members and the City are established and may be amended by City Council. In fiscal year 2017-2018, a premium of approximately \$10,000 each month is contributed to the plan on behalf of all retirees. This amount is subject to review during the annual budget process. Sample contribution rates for retirees and their dependents are shown below.

Medical Plan	
Employee	\$ 1,041
Spouse	1,665
Child	809
Family	2,549

Basic Life	
Life	\$ 0.19 per \$1000

The employer does not pre-fund benefits. Contributions to the plan are designed to fund the plan 100% by the City on a pay as you go basis. The City is responsible for 100% of the retirement coverage. The retirees are responsible for their dependent coverage.

Total OPEB Liability

TMRS

The City's Total OPEB Liability (TOL) was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

Retiree Health

The City's Total OPEB Liability (TOL) was measured as of September 30, 2018 and was determined by an actuarial valuation as of October 1, 2017.

City of Jasper, Texas
Notes to the Financial Statements

Actuarial Assumptions

TMRS

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 10.5% including inflation
Discount rate	3.31%
Retiree's share of benefit-related costs	\$0

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the 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. Mortality rates for disabled retirees were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year setforward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2017, valuation were developed primarily from an actuarial experience study of the four-year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The postmortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal Actuarial Cost Method.

The discount rate used to measure the Total OPEB Liability was 3.31% and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

Retiree Health

The Total OPEB Liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	October 1, 2017
Measurement date	September 30, 2018
Actuarial cost method	Entry age normal
Inflation	2.3% per annum, compounded annually
Salary increases	3.0% including inflation
Discount rate	4.18%

Mortality rates were based on RP-2014 Total Dataset Mortality Table projected backward to 2006 with Mortality Improvement Scale MP-2014 and then forward with Mortality Improvement Scale MP-2017 on a generational basis with healthy annuitant rates after benefit commencement.

City of Jasper, Texas

Notes to the Financial Statements

The discount rate used to measure the Total OPEB Liability was 4.18% and was based on the Bond Buyer General Obligation 20-Bond Municipal Index rate as of October 1, 2017.

Changes in Total OPEB Liability

TMRS

	Increase (Decrease)
	<u>Total OPEB Liability</u>
Balance at December 31, 2016	\$ 339,832
Changes for the year:	
Service cost	13,071
Interest on Total OPEB Liability	13,031
Changes of assumptions or other inputs	30,341
Benefit payments	<u>(3,268)</u>
Net changes	<u>53,175</u>
Balance at December 31, 2017	<u>\$ 393,007</u>

Retiree Health

	Increase (Decrease)
	<u>Total OPEB Liability</u>
Balance at September 30, 2017	\$ 2,531,830
Changes for the year:	
Service cost	63,546
Interest on Total OPEB Liability	92,441
Change of benefit terms	-
Effect of economic/demographic gains or losses	(4,206)
Change in assumptions or other inputs	(164,542)
Benefit payments	<u>(112,623)</u>
Net changes	<u>(125,384)</u>
Balance at September 30, 2018	<u>\$ 2,406,446</u>

City of Jasper, Texas

Notes to the Financial Statements

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

TMRS

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.31%) or 1 percentage-point higher (4.31%) than the current rate:

	<u>1% Decrease in Discount Rate (2.31%)</u>	<u>Discount Rate (3.31%)</u>	<u>1% Increase in Discount Rate (4.31%)</u>
Total OPEB liability	\$ 470,247	\$ 393,007	\$ 332,418

Retiree Health

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.18%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (3.18%) or 1 percentage-point higher (5.18%) than the current rate:

	<u>1% Decrease in Discount Rate (3.18 %)</u>	<u>Discount Rate (4.18 %)</u>	<u>1% Increase in Discount Rate (5.18 %)</u>
Total OPEB liability	\$ 2,576,146	\$ 2,406,446	\$ 2,249,914

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

Retiree Health

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 2,189,924	\$ 2,406,446	\$ 2,651,854

City of Jasper, Texas

Notes to the Financial Statements

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

TMRS

For the year ended September 30, 2018, the City recognized OPEB expense of \$31,971. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions and other inputs	\$ 24,472	\$ -
Contributions subsequent to the measurement date	2,006	-
Totals	\$ 26,478	\$ -

The \$2,006 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will reduce the Total OPEB liability during the year ending September 30, 2019. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30:	
2019	\$ 5,869
2020	5,869
2021	5,869
2022	5,869
2023	996
Totals	\$ 24,472

Retiree Health

For the year ended September 30, 2018, the City recognized OPEB expense of \$119,303. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,292
Changes in actuarial assumptions and other inputs	-	128,772
Totals	\$ -	\$ 132,064

City of Jasper, Texas
Notes to the Financial Statements

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

	<u>Year Ending September 30:</u>	
2019	\$	(36,684)
2020		(36,684)
2021		(36,684)
2022		<u>(22,012)</u>
Totals	\$	<u>(132,064)</u>

C. Federal and State Awards

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

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

D. Energy and Power Purchase Commitments

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

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

City of Jasper, Texas
Notes to the Financial Statements

E. 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, 2018 was \$172,425 and \$172,686, respectively.

F. 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.

G. 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.

H. Prior Period Adjustment

Net position at October 1, 2017 was restated per the following table for the implementation of GASB 75, as previously noted in Note 1.E and Note 4.B.:

	Governmental Activities	Business-Type Activities	Water and Sewer Fund	Light and Power Fund
Beginning net position, as previously reported	\$ 12,006,248	\$ 48,963,316	\$ 16,722,480	\$ 32,240,836
Implementation of GASB 75 for OPEB	(1,270,651)	(983,800)	(392,519)	(591,281)
Beginning net position, restated	\$ 10,735,597	\$ 47,979,516	\$ 16,329,961	\$ 31,649,555

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Required Supplementary Information

City of Jasper, Texas
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance – Budget and Actual
 General Fund
 For the Fiscal Year Ended September 30, 2018

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 846,741	\$ 764,710	\$ 764,710	\$ -
Franchise taxes	160,000	161,486	161,486	-
Sales taxes	2,126,000	2,178,691	2,178,691	-
Motel occupancy	250,000	333,657	333,657	-
Mixed beverage	7,000	10,836	10,836	-
Licenses and permits	35,000	31,770	31,770	-
Intergovernmental:				
Intergovernmental	-	324,413	324,413	-
CLEOSE grant	-	2,425	2,425	-
Tobacco grant - police department	2,000	-	-	-
Municipal court technology	-	8,558	8,558	-
Other grants and contributions	54,500	126,009	126,009	-
Charges for services:				
Sanitation collection fees	1,302,800	1,276,820	1,276,820	-
Landfill transfer fee	65,000	69,936	69,936	-
Animal shelter	-	2,001	2,001	-
Recycling income	-	1,134	1,134	-
Fines and forfeitures	478,460	443,786	443,786	-
Rents and royalties	209,088	238,626	238,626	-
Investment earnings	2,000	27,054	27,054	-
Capital contributions from JEDCO	-	-	113,925	113,925
Other revenues	31,500	34,495	34,495	-
Total revenues	5,570,089	6,036,407	6,150,332	113,925
EXPENDITURES				
General government:				
Legislative	657,231	675,869	633,389	42,480
Administrative	139,486	135,182	134,600	582
Human resources	113,057	113,083	112,597	486
City secretary	54,725	52,968	52,968	-
Total general government	964,499	977,102	933,554	43,548
Finance:				
Budget and finance	306,890	316,775	307,680	9,095
Total finance	306,890	316,775	307,680	9,095
Intergovernmental services:				
Municipal shop	306,215	297,336	296,091	1,245
Custodial services	104,556	102,868	102,433	435
Total intergovernmental services	410,771	400,204	398,524	1,680
Community services:				
Library	356,340	328,105	288,032	40,073
Solid waste	876,774	847,518	845,748	1,770
Parks	71,200	83,057	28,757	54,300
Community services	277,448	263,784	251,994	11,790
Animal shelter	98,087	106,744	106,404	340
Total community services	1,679,849	1,629,208	1,520,935	108,273

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

City of Jasper, Texas

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Continued General Fund For the Fiscal Year Ended September 30, 2018

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Community development:				
Streets and drainage	674,838	1,478,895	560,345	918,550
Total community development	674,838	1,478,895	560,345	918,550
Public safety:				
Police	2,360,188	2,476,698	2,358,370	118,328
Municipal court	398,099	327,169	326,671	498
Fire	251,529	212,066	211,774	292
Total public safety	3,009,816	3,015,933	2,896,815	119,118
Capital outlay:				
Governmental activities	-	-	1,486,102	(1,486,102)
Total capital outlay	-	-	1,486,102	(1,486,102)
Total expenditures	7,046,663	7,818,117	8,103,955	(285,838)
Excess (deficiency) of revenues over expenditures	(1,476,574)	(1,781,710)	(1,953,623)	(171,913)
OTHER FINANCING SOURCES (USES)				
Proceeds from insurance	-	223,330	223,330	-
Transfers in (out)	1,493,554	2,462,963	2,462,963	-
Total other financing sources (uses)	1,493,554	2,686,293	2,686,293	-
Net change in fund balance	16,980	904,583	732,670	(171,913)
Fund balance, beginning of year	3,810,835	3,810,835	3,810,835	-
FUND BALANCE, END OF YEAR	\$ 3,827,815	\$ 4,715,418	\$ 4,543,505	\$ (171,913)

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

City of Jasper, Texas

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY				
Service cost	\$ 666,063	\$ 622,813	\$ 588,614	\$ 527,036
Interest	1,645,742	1,585,624	1,558,567	1,496,058
Differences between expected and actual experience	(74,197)	(69,536)	(339,348)	150,354
Changes of assumptions	-	-	665,404	-
Benefit payments, including refunds of employee contributions	<u>(1,296,242)</u>	<u>(1,243,527)</u>	<u>(1,286,185)</u>	<u>(1,336,328)</u>
Net change in total pension liability	941,366	895,374	1,187,052	837,120
Total pension liability - beginning	<u>24,696,450</u>	<u>23,801,076</u>	<u>22,614,024</u>	<u>21,776,904</u>
TOTAL PENSION LIABILITY - ENDING (a)	<u>\$ 25,637,816</u>	<u>\$ 24,696,450</u>	<u>\$ 23,801,076</u>	<u>\$ 22,614,024</u>
PLAN FIDUCIARY NET POSITION				
Contributions - employer	\$ 522,285	\$ 447,224	\$ 449,296	\$ 444,943
Contributions - employee	381,230	350,176	348,292	346,452
Net investment income	3,037,584	1,417,236	31,669	1,191,798
Benefits payments, including refunds of employee contributions	(1,296,242)	(1,243,527)	(1,286,185)	(1,336,328)
Administrative expense	(15,764)	(16,023)	(19,297)	(12,445)
Other	<u>(798)</u>	<u>(863)</u>	<u>(954)</u>	<u>(1,023)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,628,295	954,223	(477,179)	633,397
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>21,947,929</u>	<u>20,993,706</u>	<u>21,470,885</u>	<u>20,837,488</u>
PLAN FIDUCIARY NET POSITION - ENDING (b)	<u>\$ 24,576,224</u>	<u>\$ 21,947,929</u>	<u>\$ 20,993,706</u>	<u>\$ 21,470,885</u>
NET PENSION LIABILITY - ENDING (a)-(b)	<u>\$ 1,061,592</u>	<u>\$ 2,748,521</u>	<u>\$ 2,807,370</u>	<u>\$ 1,143,139</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	95.86%	88.87%	88.20%	94.94%
COVERED PAYROLL	\$ 5,446,143	\$ 5,002,511	\$ 4,975,602	\$ 4,949,317
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	19.49%	54.94%	56.42%	23.10%

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

City of Jasper, Texas
 Schedule of the City Contributions -
 Texas Municipal Retirement System
 Last Four Fiscal Years *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 530,845	\$ 499,517	\$ 443,977	\$ 445,462
Contributions in relation to the actuarially determined contribution	(530,845)	(499,517)	(443,977)	(445,462)
CONTRIBUTIONS DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,564,688	\$ 5,304,307	\$ 4,952,492	\$ 4,938,995
Contributions as a percentage of covered payroll	9.54%	9.42%	8.96%	9.02%

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

City of Jasper, Texas

Schedule of Changes in the City's OPEB Liability and Related Ratios Texas Municipal Retirement System Current Fiscal Year *

	<u>2018</u>
Total OPEB liability:	
Service cost	\$ 13,071
Interest on total OPEB liability	13,031
Change of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other inputs	30,341
Benefit payments	<u>(3,268)</u>
Net change in total OPEB liability	53,175
Total OPEB liability - beginning	<u>339,832</u>
TOTAL OPEB LIABILITY - ENDING	<u>\$ 393,007</u>
Covered payroll	\$ 5,446,143
OPEB liability as a percentage of covered payroll	7.22%

*The amounts presented for the fiscal year were determined as of the Plan's fiscal year end December 31.
GASB Statement No. 75 requires 10 fiscal years of data to be provided in this schedule. The employer will be required to build this schedule over the next 10-year period, as only one year of data is available.

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

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

	<u>2018</u>
Actuarially determined contribution	\$ 2,938
Contributions in relation to the actuarially determined contribution	<u>(2,938)</u>
CONTRIBUTIONS DEFICIENCY (EXCESS)	<u>\$ -</u>
Covered payroll	\$ 5,564,688
Contributions as a percentage of covered payroll	0.05%

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

City of Jasper, Texas
 Schedule of Changes in the City's OPEB
 Liability and Related Ratios
 Retiree Health Plan
 Current Fiscal Year*

	<u>2018</u>
Total OPEB liability:	
Service cost	\$ 63,546
Interest on total OPEB liability	92,441
Change of benefit terms	-
Effect of economic/demographic gains or losses	(4,206)
Change in assumptions or other inputs	(164,542)
Benefit payments	(112,623)
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Net change in total OPEB liability	(125,384)
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Total OPEB liability - beginning	2,531,830
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TOTAL OPEB LIABILITY - ENDING	<u>\$ 2,406,446</u>
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Covered payroll	\$ 5,131,927
	<hr/>
OPEB liability as a percentage of covered payroll	46.89%

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

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

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

	<u>2018</u>
Actuarially determined contribution	\$ 112,623
Contributions in relation to the actuarially determined contribution	<u>(112,623)</u>
CONTRIBUTIONS DEFICIENCY (EXCESS)	<u>\$ -</u>
Covered payroll	\$ 5,564,688
Contributions as a percentage of covered payroll	2.02%

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

City of Jasper, Texas

Notes to Required Supplementary Information

Note 1. Budget

A. Budgetary Information

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

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

City management can amend the approved budget within the scope or available monies within the various funds. Unrestricted appropriations are budgeted in each fund to cover 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. Pension – Schedule of Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

Supplementary Information

City of Jasper, Texas

Schedule of Revenues, Expenditures, and Changes

in Fund Balance - Budget and Actual

Debt Service Fund

For the Fiscal Year Ended September 30, 2018

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 322,558	\$ 365,918	\$ 365,918	\$ -
Sales taxes	1,000,000	1,086,228	1,086,228	-
Investment earnings	1,600	7,370	7,370	-
Total revenues	1,324,158	1,459,516	1,459,516	-
EXPENDITURES				
Debt service:				
Principal	880,000	880,000	880,000	-
Interest and fees	109,038	110,537	110,537	-
Total expenditures	989,038	990,537	990,537	-
Net change in fund balance	335,120	468,979	468,979	-
Fund balance, beginning of year	1,081,525	1,081,525	1,081,525	-
FUND BALANCE, END OF YEAR	\$ 1,416,645	\$ 1,550,504	\$ 1,550,504	\$ -

City of Jasper, Texas
Schedule of Operating Expenses
by Department - Enterprise Funds
For the Fiscal Year Ended September 30, 2018

	Water and Sewer Fund		Light and	Total
	Water Utility	Sewer Utility	Power Fund Light and Power Utility	
Water production:				
Personnel expenses	\$ 182,225	\$ -	\$ -	\$ 182,225
Maintenance and supplies	54,163	-	-	54,163
Contracted services	163,054	-	-	163,054
Other sundry expenses	2,335	-	-	2,335
Total water production	401,777	-	-	401,777
Water distribution:				
Personnel expenses	363,260	-	-	363,260
Maintenance and supplies	200,829	-	-	200,829
Contracted services	5,457	-	-	5,457
Other sundry expenses	6,478	-	-	6,478
Total water distribution	576,024	-	-	576,024
Sewer collection:				
Personnel expenses	-	302,458	-	302,458
Maintenance and supplies	-	104,628	-	104,628
Contracted services	-	45,128	-	45,128
Other sundry expenses	-	26,936	-	26,936
Total sewer collection	-	479,150	-	479,150
Sewer treatment:				
Personnel expenses	-	313,010	-	313,010
Maintenance and supplies	-	67,850	-	67,850
Contracted services	-	235,792	-	235,792
Other sundry expenses	-	3,260	-	3,260
Total sewer treatment	-	619,912	-	619,912
Public works:				
Personnel expenses	276,256	-	-	276,256
Maintenance and supplies	7,571	-	-	7,571
Contracted services	7,218	-	-	7,218
Other sundry expenses	3,657	-	-	3,657
Total public works	294,702	-	-	294,702
Power production:				
Purchased power	-	-	10,289,850	10,289,850
Personnel expenses	-	-	817,010	817,010
Maintenance and supplies	-	-	50,097	50,097
Contracted services	-	-	19,215	19,215
Other sundry expenses	-	-	19,258	19,258
Total power production	-	-	11,195,430	11,195,430
Right of way:				
Personnel expenses	-	-	343,918	343,918
Maintenance and supplies	-	-	38,095	38,095
Contracted services	-	-	2,143	2,143
Total right of way	-	-	384,156	384,156
Inspection:				
Personnel expenses	-	-	191,448	191,448
Maintenance and supplies	-	-	11,697	11,697
Contracted services	-	-	6,307	6,307
Other sundry expenses	-	-	6,907	6,907
Total inspection	-	-	216,359	216,359
Customer service:				
Personnel expenses	-	-	347,927	347,927
Maintenance and supplies	-	-	53,630	53,630
Contracted services	-	-	102,170	102,170
Other sundry expenses	-	-	20,176	20,176
Total customer service	-	-	523,903	523,903
Nondepartmental:				
Depreciation	539,196	539,195	463,075	1,541,466
Total nondepartmental expenses	539,196	539,195	463,075	1,541,466
TOTAL OPERATING EXPENSES	\$ 1,811,699	\$ 1,638,257	\$ 12,782,923	\$ 16,232,879

City of Jasper, Texas

Statement of Net Position - Component Unit
Jasper Economic Development Corporation
September 30, 2018

	<u>Component Unit</u>
	<u>JEDCO</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,504,148
Receivables (net):	
Sales tax	175,275
Other	1,998
Land held for resale	711,332
Capital assets:	
Land	110,393
Buildings and improvements	781,087
Industrial park	3,202,753
Signs	18,852
Office equipment	55,181
Accumulated depreciation	(973,832)
	<hr/>
Total assets	7,587,187
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,100
Accrued liabilities	4,954
Due to primary government	258,353
Accrued compensated absences - current	3,500
	<hr/>
Total liabilities	267,907
NET POSITION	
Net investment in capital assets	3,194,434
Unrestricted	4,124,846
	<hr/>
TOTAL NET POSITION	<u><u>\$ 7,319,280</u></u>

City of Jasper, Texas

Statement of Revenues, Expenses, and Changes
in Net Position - Component Unit
Jasper Economic Development Corporation
For the Fiscal Year Ended September 30, 2018

	<u>Component Unit</u>
	<u>JEDCO</u>
OPERATING REVENUES	
Taxes:	
Sales taxes	\$ 1,086,228
Other taxes	4,350
Other revenues	650
	<hr/>
Total revenues	1,091,228
OPERATING EXPENSES	
Economic development:	
Administration	356,918
Industry development	243,048
Contributions to City	140,204
Marketing and promotion	37,389
Depreciation	70,516
	<hr/>
Total expenses	848,075
	<hr/>
Operating income	243,153
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	14,018
Gain on sale of assets	1,404
	<hr/>
Total nonoperating revenues (expenses)	15,422
	<hr/>
Change in net position	258,575
Net position - beginning	7,060,705
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NET POSITION - ENDING	<u>\$ 7,319,280</u>

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Overall Compliance and Internal Control Section

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, of City of Jasper, Texas (the City) as of and for the fiscal year ended September 30, 2018 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 18, 2019.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency as item 2018-001.

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

Compliance and Other Matters

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

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
March 18, 2019

City of Jasper, Texas
 Schedule of Findings and Responses
 For the Fiscal Year Ended September 30, 2018

Section 1. Summary of Auditor's Results

Financial Statements

- | | |
|--|-----------------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes, Finding 2018-001 |
| 3. Noncompliance material to the financial statements noted? | No |

Section 2. Findings Related to Financial Statements

1. Findings Related to Internal Control over Financial Reporting

2018-001 Preparation of Financial Statements

Significant Deficiency in Control

Statement on Auditing Standards No. 115, "Communicating Internal Control Related Matters Identified in an Audit" (SAS 115) defines the inadequate design of internal control over the preparation of financial statements being audited as a deficiency in the design of internal controls. Auditors cannot be a part of the City's internal control system. The City relies on the auditor to prepare the financial statements and informative disclosures.

As the City did not prepare its own financial statements at September 30, 2018, in accordance with SAS 115, this could impact the City's ability to report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected.

We recommended that the City evaluate the benefits of preparing its own financial statements at year end against the cost to do so.

2. Findings Related to Compliance with Laws and Regulations

None reported



CITY OF JASPER

Corrective Action Plan

2018-001 Preparation of Financial Statements

Governance and management will consider the recommendation and evaluate the benefits of preparing its own financial statements at year end against the cost to do so.