

CITY OF MATHIS, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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**CITY OF MATHIS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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**QUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER
SUPPLEMENTARY INFORMATION**

Independent Auditors' Report

Honorable City Council
City of Mathis, Texas

Members of the Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mathis, Texas, as of and for the year ended September 30, 2014 and the related notes to the financial statements, which collectively comprise the Town'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. 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.

During the audit, we noted that the financial ledgers were not reconciled on a timely basis along with the various sub-ledgers such as cash, accounts payable, fixed assets and long term liabilities as well as the un-reconciled agency funds. The lack of accurate timely information provided to us causes the City of Mathis to properly plan for its future obligations and results in a qualified/modified opinion.

Opinions

Except for the above mentioned paragraph, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Mathis, Texas, as of September 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

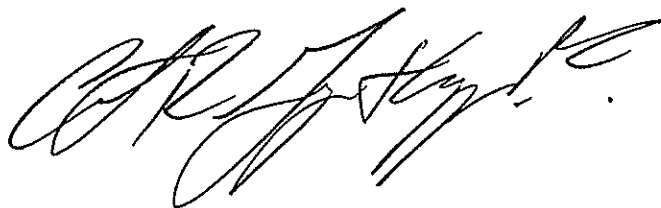
Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* on pages 3-9 and the budgetary schedules presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mathis' basic financial statements. The combining and individual non-major fund financial statements and the other information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Ernest R. Garza & Company, P.C.
Certified Public Accountants
Corpus Christi, Texas



June 8, 2017

**CITY OF MATHIS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

In this section of the Annual Financial and Compliance Report, we, the managers of City of Mathis, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2014. Please read it in conjunction with the independent auditors' report on page 1, and the City's Basic Financial Statements which begin on page 13.

FINANCIAL HIGHLIGHTS

- During the year, the City had expenditures of \$3,169,569 that were \$223,586 more than the \$2,945,983 generated in tax and other revenues/transfers net of \$177,948 for governmental programs (before special items of \$401,534) (Exhibit C-3). This compares to last year (2013) when expenditures (\$3,663,196) were \$82,307 less than revenues (\$3,772,992) and net transfers of \$22,510.
- In the City's business-type activities, operational revenues decreased from \$1,613,383 in 2013 to \$1,492,719 and expenses decreased from \$1,418,938 to \$1,017,133 for a net operating income of \$475,586, after transfer in and out of \$401,534 resulted in a net gain of \$352,989 due to a prior period adjustment of \$394,969.
- The General Fund ended the year with a fund balance of \$98,562 up from 2012 (\$28,491).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 13 and 14-15). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to departments within the City or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the City.

The notes to the financial statements (starting on page 32) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the City's individual funds. The sections labeled Required Schedules Section contain data used by monitoring or regulatory agencies for assurance that the City is using funds supplied in compliance with the terms of grants.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 13. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such as fees charged from outside the City and grants provided by the various federal agencies to assist the City with various infrastructure needs. All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non-financial factors as well, such as changes in the City's property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the City into kinds of activities:

- Governmental activities—Most of the City's basic services are reported here, including the street, infrastructure, police, fire, ambulance and general administration. Property taxes, fees, and state and federal grants finance most of these activities.
- Business-type activities—The City charges a fee to “customers” to help it cover all or most of the cost of services it provides in the utility fund for water and sewer charges.
- Component units—The City includes two component units – The Mathis Economic Development Corporation and the Pride of Mathis. Although legally separate, these “component units” are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 16 and provide detailed information about the most significant funds—not the City as a whole. Laws and contracts require the City to establish some funds, such as grants. The City's two kinds of funds—governmental and proprietary—use different accounting approaches.

- **Governmental funds**—Most of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- **Proprietary funds**—The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for money raised on behalf of the Mathis Police Reserves. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these resources from the City's other financial statements because the City cannot use these assets to finance its operations. The City is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Net position of the City's governmental and business activities increased from \$11,675,164 to \$11,969,539. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$313,575 at September 30, 2014, governmental activities was \$403,983. This increase in governmental net position was the result of primarily a result of current year's operations.

Table I
CITY OF MATHIS, TEXAS
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	966,958	1,189,353	773,250	634,483	1,740,208	1,823,836
Restricted Assets	-	-	-	-	-	-
Capital Assets	5,372,345	5,673,818	7,749,382	7,903,780	13,121,727	13,577,598
Total Assets:	6,339,303	6,863,171	8,522,632	8,538,263	14,861,935	15,401,434
Long-Term Liabilities	664,440	930,921	1,367,253	1,420,220	2,031,693	2,351,141
Restricted Liabilities	-	-	-	-	-	-
Other Liabilities	515,880	714,653	344,822	660,475	860,702	1,375,128
Total Liabilities	1,180,320	1,645,574	1,712,075	2,080,695	2,892,395	3,726,269
Invested in Capital Assets	4,441,424	4,308,580	6,165,467	6,329,496	10,606,891	10,638,076
Restricted	313,575	262,678	-	-	313,575	262,678
Unrestricted	403,983	646,339	645,090	128,071	1,049,073	774,410
Total Net Position	5,158,982	5,217,597	6,810,557	6,457,567	11,969,539	11,675,164

Table II						
CITY OF MATHIS, TEXAS						
CHANGES IN NET POSITION						
	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 716,252	\$ 1,044,009	\$ 1,492,719	\$ 1,613,383	\$ 2,208,971	\$ 2,657,392
Operating Grants and Contributions	52,409	121,417	-	-	52,409	121,417
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Maintenance and Operations Taxes	1,284,176	1,380,654	-	-	1,284,176	1,380,654
Sales Taxes	781,545	884,105	-	-	781,545	884,105
Franchise Taxes	186,254	200,234	-	-	186,254	200,234
Other Taxes	-	-	-	-	-	-
License and Permits	16,059	21,426	-	-	16,059	21,426
Unrestricted Investment Earnings	109	108	-	-	109	108
Miscellaneous	214,600	585,266	341	164	214,941	585,430
Total Revenues	3,251,404	4,237,219	1,493,060	1,613,547	4,744,464	5,850,766
Expenses:						
General Administration	991,192	735,130	-	-	991,192	735,130
Financial Administration	-	-	-	-	-	-
Public Facilities	674,506	805,783	-	-	674,506	805,783
Public Safety	1,939,225	1,687,593	-	-	1,939,225	1,687,593
Public Transportation	-	-	-	-	-	-
Culture and Recreation	81,575	165,703	-	-	81,575	165,703
Interest and Fiscal Charges	25,055	47,334	-	-	25,055	47,334
Water, Garbage, and Sewer	-	-	1,133,506	1,418,938	1,133,506	1,418,938
Total Expenses	3,711,553	3,441,543	1,133,506	1,418,938	4,845,059	4,860,481
Increase (Decrease) in Net Position before transfers and special items						
transfers and special items	(460,149)	795,676	359,554	194,609	(100,595)	990,285
Transfers	401,534	22,510	(401,534)	(160,511)	-	(138,001)
Increase (Decrease) in Net Position	(58,615)	818,186	(41,980)	34,098	(100,595)	852,284
Prior period adjustment	-	(876,433)	394,969	-	394,969	(876,433)
Net Position at Beginning	5,217,597	5,275,844	6,457,568	6,423,470	11,675,165	11,699,314
Net Position at Ending	\$ 5,158,982	\$ 5,217,597	\$ 6,810,557	\$ 6,457,568	11,969,539	11,675,165

The assessed valuation before exemptions at January 1, 2014 totaled \$101.7 million. The current tax rate is \$.90 per \$100 valuation with a current tax levy of \$919,123. The current tax rate finances debt service and the city's operations.

Through the month of September 2014, the Tax Assessor/Collector's office reports \$906,793 of the levies had been collected. Current tax collections for the operating and interest and sinking fund was \$793,354 or 86.32% of the amount levied, including delinquent collections of \$113,438 or 12.34% . The total overall collection rate for current and delinquent collections to the current levy was 98.65%. Penalties of \$71,564 were also collected.

The City took actions this year to compensate for some increases in cost and avoid the loss of city revenues.

The City increased the property tax rate to \$.90 from the prior year of \$.843174. This was an increase due to the increased valuations of the City.

The cost of all governmental activities this year was \$3.712 million compared to \$3.441 million last year, as shown in the Statement of Activities on pages 14 and 15. The business type activity expenses were \$1,133,506, down from the prior year of \$1,418,938.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 16 reported a combined fund balance of \$412,136. (Exhibit C-1, C-3).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the City had \$10,231,980 invested in a broad range of capital assets, including facilities and infrastructure in the governmental activities. Proprietary funds had \$11,531,062 invested in fixed assets at year-end as in the prior year.

This year's 2013/2014 continued finishing major additions included:

Fixed asset additions - net

-
-
-
-
-

Debt

At year-end, the City had \$2,370,967 in bonds and notes outstanding versus \$2,823,152 last year, the EDC had \$335,257 in bonds. Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

Pension Plan

The City of Mathis provides pension benefits for all of its employees except for firefighters through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing statutes of TRMS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) from TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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 2013	Plan Year 2012
Employee Deposit Rate	7.00%	7.00%
Matching Ratio (City to Employee)	1 to 1	1 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility (Expressed as Age / Years of Service)	60/5,0/20	60/5,0/20
Updated Service Credit	0%	0%
Annuity Increase (to Retirees)	0% of CPI	0% of CPI

Contributions: Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (over-funded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

1. Annual Required Contribution (ARC)	113,780
2. Interest on Net Pension Obligation	-
3. Adjustment to the ARC	113,780
4. Annual Pension Cost (APC)	113,780
5. Contributions Made	113,780
6. Increase (Decrease) in net pension obligation	-
7. Net Pension Obligation/(Asset), beginning of year	-
8. Net Pension Obligation/(Asset), end of year	-

The City does not have an unfunded Actuarial Accrued Liability overall. See notes to financial statements for additional information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2014 budget, tax rates. One of those factors is the economy.

These indicators were taken into account when adopting the General Fund budget for 2015. Amounts available for appropriation in the General Fund budget are approximately \$3,411,837, an overall consistent budget over the final 2014 budget of \$3,493,077. Property taxes (benefiting from the 2014/2015 rate increases and increases in assessed valuations). Budgeted expenditures are expected to rise nearly 2 percent in 2015. Increased wages and salaries caused some of the increase including higher fuel and fuel related services. The City has upcoming capital projects from grants for a new festival area along with various infrastructure additions for the upcoming budget.

If these estimates are realized, the City's budgetary General Fund balance is expected to increase modestly by the close of 2015.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's business office, at City of Mathis, Texas.

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BASIC FINANCIAL STATEMENTS

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CITY OF MATHIS, TEXAS
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT A-1

	Primary Government			Component Unit Non-Major Component Unit
	Governmental Activities	Business Type Activities	Total	
ASSETS:				
Cash and Cash Equivalents	\$ 433,951	422,683	856,634	64,678
Investments - Current	-	-	-	482,055
Receivables (net of allowance)	449,537	233,283	682,820	-
Prepaid Items	-	-	-	-
Due From Other Funds	-	-	-	49,121
Due From Others	83,470	-	83,470	-
Inventory	-	-	-	-
Bond Issue Cost (net)	-	-	-	-
Restricted Assets:				
Temporarily Restricted:				
Temporarily Restricted Assets	-	117,286	117,286	-
Capital Assets:				
Land	322,575	12,412	334,987	-
Utility System, net	4,195,432	7,611,288	11,806,721	-
Machinery and Equipment, net	854,338	125,681	980,020	-
Construction in Progress	-	-	-	-
TOTAL ASSETS:	\$ 6,339,303	8,522,633	14,861,935	595,854
LIABILITIES:				
Accounts Payable & Other Current Liab.	\$ 200,279	108,878	309,157	-
Due to Other Funds	49,121	-	49,121	-
Due to Others	-	-	-	-
Accrued Liabilities	-	19,283	19,283	-
Current Bonds/Loans/Lease Payable	266,480	216,661	483,142	57,154
Payable from Restricted Assets	-	-	-	-
Bonds/Loans Payable/Other - Long Term	664,440	1,367,253	2,031,693	223,391
TOTAL LIABILITIES	\$ 1,180,321	1,712,075	2,892,396	280,545
NET POSITION:				
Invested in Capital Assets	\$ 4,441,424	6,165,467	10,606,892	(280,545)
Restricted for Revenue Bond Retirement	-	-	-	-
Commitments	-	-	-	-
Restricted for Capital Project Funds	-	-	-	-
Restricted for Special Revenue Funds	227,850	-	227,850	-
Restricted for Debt Service Funds	85,725	-	85,725	-
Unrestricted Net Position	403,983	645,090	1,049,073	595,854
TOTAL NET POSITION	\$ 5,158,982	6,810,557	11,969,540	315,309

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

CITY OF MATHIS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

		Program Revenues	
		Charges For	Operating
	Expenses	Services	Grants and Contributions
<u>Primary Government:</u>			
GOVERNMENTAL ACTIVITIES:			
10 General Government	\$ 715,764	281,911	-
21 Public Safety	2,138,082	-	-
31 Public Works	674,506	434,341	-
50 Culture and Recreation	81,575	-	-
65 Economic Development and Assistance	-	-	-
73 Bond Interest	101,625	-	-
TOTAL PRIMARY GOVERNMENT	\$ <u>3,711,553</u>	<u>716,252</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES:			
701 Utility Fund	\$ 1,133,506	1,492,719	-
Total Business Type Activities:	\$ <u>1,133,506</u>	<u>1,492,719</u>	<u>-</u>

General Revenues:

Taxes:
Prop. Taxes, Levied for M&O, Debt Serv., Pen., Int.
Sales Taxes
Franchise Taxes
Other Taxes
Licenses and Permits
Grants and Contributions not Restricted
Other Revenue
Investment Earnings
Transfers In (Out)
Total General Revenues and Transfers
Change in Net Position
Net Position - Beginning
Prior Period Adjustment
Net Position - Ending

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

EXHIBIT B-1

Net (Expense) Revenues and Changes in Net Position			
Primary Government			Component Units Non-major Component Unit
Governmental Activities	Business-type Activities	Total	
\$ (433,853)	-	(433,853)	-
(2,138,082)	-	(2,138,082)	-
(240,165)	-	(240,165)	-
(81,575)	-	(81,575)	-
-	-	-	183,849
(101,625)	-	(101,625)	-
<u>\$ (2,995,301)</u>	<u>-</u>	<u>(2,995,301)</u>	<u>183,849</u>
-	359,213	359,213	-
-	359,213	359,213	-
			-
			-
\$ 1,284,176	-	1,284,176	-
781,545	-	781,545	241,771
186,254	-	186,254	-
-	-	-	-
16,059	-	16,059	-
52,409	-	52,409	-
214,600	-	214,600	-
109	342	451	200
401,534	(401,534)	(0)	-
<u>\$ 2,936,686</u>	<u>(401,193)</u>	<u>2,535,493</u>	<u>241,971</u>
<u>(58,615)</u>	<u>(41,980)</u>	<u>(100,594)</u>	<u>58,121</u>
5,217,597	6,457,568	11,675,165	257,188
-	394,969	394,969	-
<u>\$ 5,158,982</u>	<u>6,810,557</u>	<u>11,969,540</u>	<u>315,309</u>

CITY OF MATHIS, TEXAS
BALANCE SHEET
GOVERNMENT FUNDS
SEPTEMBER 30, 2014

	General	Capital Projects Fund	Debt Service Fund	Grant Fund
ASSETS				
Cash and Texpool Accounts	\$ 120,417	-	85,725	-
Receivables and Allowances:			-	
Inventory	-	-	-	-
Due From Other Governmental Agencies	83,429	-	-	-
Garbage	144,115	-	-	-
Ad Valorem Taxes	366,686	-	105,919	-
Allowance for Uncollectible Taxes	(117,340)	-	(49,844)	-
Due From Other Funds	-	-	-	-
Prepaid Items	-	-	-	-
TOTAL ASSETS	\$ 597,308	-	141,800	-
LIABILITIES AND FUND BALANCE				
Accounts Payable	\$ 200,279	-	-	-
Other Payables	-	-	-	-
Due to Other Funds	49,121	-	-	-
TOTAL LIABILITES	\$ 249,400	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable Tax Revenues	\$ 249,346	-	56,075	-
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 249,346	-	56,075	-
FUND BALANCE				
Restricted for Special Revenue	\$ -	-	-	-
Restricted for Debt Service	-	-	85,725	-
Restricted for Capital Projects	-	-	-	-
Unassigned	98,562	-	-	-
TOTAL FUND BALANCE	\$ 98,562	-	85,725	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 597,308	-	141,800	-

EXHIBIT C-1

Combination Tax and Surplus Fund	Other Governmental Funds	Total Governmental Funds
-	227,809	433,951
-	-	-
-	41	83,470
-	-	144,115
-	-	472,605
-	-	(167,184)
-	-	-
-	-	-
-	227,850	966,958
-	-	200,279
-	-	-
-	-	49,121
-	-	249,400
-	-	305,421
-	-	305,421
-	227,850	227,850
-	-	85,725
-	-	-
-	-	98,562
-	227,850	412,136
-	227,850	966,958

CITY OF MATHIS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

Exhibit C-2

Total Fund Balances - Governmental Funds	\$	412,136
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The City uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase (decrease) net position.

Capital assets are used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including these balances for capital assets (net of depreciation) in the governmental activities is to increase net position. At the beginning of the year, the costs of these assets w \$ 10,231,980 and the accumulated depreciation was:	4,469,183	<u>\$ (4,558,163)</u>
--	-----------	-----------------------

In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position --

(866,730) .

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the governmental-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase (decrease) net position.	273,714	
--	---------	--

The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(301,473)	
--	-----------	--

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and the recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	305,421	
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Net position of Governmental Activities	\$	<u><u>5,158,982</u></u>
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The accompanying notes are an integral part of this statement.

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CITY OF MATHIS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General	Capital Projects Fund	Debt Service Fund	Waste Grant Fund
REVENUES				
Taxes	\$ 1,453,943	-	492,609	-
Licenses and Permits	16,059	-	-	-
Intergovernmental	10,648	-	-	-
Charges for Services	434,341	-	-	-
Fines and Penalties	-	-	-	-
Interest	-	-	-	-
Other	496,401	-	110	-
TOTAL REVENUES	\$ 2,411,393	-	492,719	-
EXPENDITURES				
Current				
General Administration	\$ 775,968	-	75,789	-
Cutural and Recreational, Tourism	80,443	-	-	-
Public Safety	1,363,975	-	-	-
Public Works	305,644	-	-	-
Sanitation	274,025	-	-	-
Debt Service				
Principal Retirement	-	-	173,803	-
Interest and Fiscal Charges	-	-	101,625	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	\$ 2,800,056	-	351,217	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (388,663)	-	141,502	-
OTHER FINANCING SOURCES (USES)				
Capital - related Debt Issued	\$ -	-	-	-
Transfers from Other Funds	587,691	-	-	-
Transfer to Other Funds	(71,976)	-	(156,435)	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ 515,715	-	(156,435)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ 127,053	-	(14,933)	-
FUND BALANCE, beginning of year	\$ (28,491)	-	100,658	-
Prior Period Adjustment	-	-	-	-
FUND BALANCE, end of year	\$ 98,562	-	85,725	-

EXHIBIT C-3

Combination Tax and Surplus Fund	Other Governmental Funds	Total Governmental Funds
-	-	1,946,553
-	-	16,059
-	41,761	52,409
-	-	434,341
-	-	-
-	109	109
-	-	496,511
-	41,871	2,945,983
-	-	851,758
-	-	80,443
-	18,296	1,382,270
-	-	305,644
-	-	274,025
-	-	173,803
-	-	101,625
-	-	-
-	18,296	3,169,569
-	23,575	(223,586)
-	-	-
-	52,254	639,946
-	(10,000)	(238,412)
-	42,254	401,534
-	65,829	177,948
-	162,021	234,188
-	-	-
-	227,850	412,136

CITY OF MATHIS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

Exhibit C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 177,948
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The City uses some internal service funds to charge the costs of certain activities primarily to the governmental funds. The net income (loss) of these internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.	-
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Current year capital outlays and long-term debt principal payments are expenditures in the financial statements, but they should be shown as increases in capital assets and reduction of long-term debt in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase (decrease) net position.	273,714
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Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(301,473)
---	-----------

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds from bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	(208,804)
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Change in Net Position of Governmental Activities	\$ <u>(58,615)</u>
--	---------------------------

The accompanying notes are an integral part of this statement.

CITY OF MATHIS, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER SOURCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2013 WITH COMPARATIVE ACTUAL AMOUNTS FOR 2012

	2014			Exhibit C-5 2013
	BUDGETED AMOUNTS		Variance with Final Budget Variance	Actual
	Original	Final		
REVENUES				
Taxes				
Property Taxes	757,000	757,000	486,145	586,851
General Sales and Use Taxes	660,000	660,000	781,545	884,105
Franchise Tax	162,000	162,000	186,254	200,234
Other Taxes	-	-	-	-
License and Permits	28,700	28,700	16,059	21,426
Intergovernmental Revenues	4,500	4,500	10,648	-
Charges for Services	563,657	563,657	434,341	510,153
Investment Earnings	300	300	183	149
Fines and Forfeitures	-	-	-	-
Other Revenues	1,350,526	1,350,526	496,219	1,038,127
Total Revenues	3,526,683	3,526,683	2,411,393	3,241,045
EXPENDITURES				
General Administration	-	-	-	-
Municipal Court	112,067	112,067	52,175	84,827
Administration	431,888	431,888	723,794	671,675
Legislative	-	-	-	-
Public Safety				
Police	911,924	911,924	627,245	805,356
Fire	97,207	97,207	74,659	65,599
Emerg. Med. Service	632,314	632,314	402,313	500,162
Animal Control	77,333	77,333	37,001	47,114
Code Enforcement	97,280	97,280	222,756	67,985
Public Works				
Streets Department	510,029	510,029	305,644	402,940
Sanitation	472,657	472,657	274,025	249,131
Culture and Recreation				
Library	31,500	31,500	20,400	24,000
Parks	118,878	118,878	60,043	140,575
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	3,493,077	3,493,077	2,800,056	3,059,364
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	33,606	33,606	(388,663)	181,681
OTHER FINANCING SOURCES (USES):				
Capital related Debt Issued	-	-	-	-
Transfers In	-	-	587,691	288,387
Transfers (Out)	-	-	(71,976)	(299,113)
Total Other Financing Sources (Uses)	-	-	515,715	(10,726)
Net Change in Fund Balance	33,606	33,606	127,053	170,955
Fund Balance - October 1 (Beginning)	(28,491)	(28,491)	(28,491)	(199,446)
Prior period adjustment	-	-	-	-
Fund Balance - September 30 (Ending)	5,115	5,115	98,562	(28,491)

The accompanying notes are an integral part of this statement.

**CITY OF MATHIS, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2014**

EXHIBIT D-1

	Business-Type Activities Enterprise Fund Utility Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	422,683
Receivables and Allowances	
Accounts	
Water and Wastewater Billings	233,283
Assessments	-
Other	-
Allowance for Uncollectible Accounts	-
Due from Other Funds	-
Bond Issue Cost (Net)	-
Prepaid Items	-
Inventory	-
Total Current Assets	655,966
Non-Current Assets:	
Restricted Assets:	
Cash and Cash Equivalents	
Revenue Bond Constuction	117,286
Total - Non-Current Assets	117,286
Capital Assets	
Land	12,412
Construction in Progress	-
Buildings	222,445
Water System	7,383,959
Sewer System	3,786,564
Infrastructure	0
Vehicles	-
Furniture and Equipment	125,681
Total Capital Assets	11,531,062
Less Accumulated Depreciation	(3,781,680)
Net Capital Assets	7,749,382
TOTAL ASSETS	8,522,633

**CITY OF MATHIS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014**

EXHIBIT D-1
continued

	Business-Type Activities Enterprise Fund <u>Utility Fund</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	108,878
Accrued Liabilities	-
Compensated Absences	19,283
Due to Other Funds	-
Capital Leases Payable	204,661
Current Portion of Revenue Bonds Payable	12,000
Customer Meter Deposits	-
Total Current Liabilities	<u>344,822</u>
Liabilities (Payable from Restricted Assets):	
Long-Term Liabilities	
Capital Leases Payable	346,253
Revenue Bonds Payable	1,021,000
Total Long-Term Liabilities	<u>1,367,253</u>
Total Liabilities	<u>1,712,075</u>
NET POSITION	
Invested in Capital Assets	6,165,467
Restricted for:	
Revenue Bond Retirement	-
Unrestricted	645,090
Net Position	<u><u>6,810,557</u></u>

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

CITY OF MATHIS, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Business-Type Activities Enterprise Fund Utility Fund
OPERATING REVENUES	
Water Sales	859,984
Sewer Sales	487,916
Meter tap/reconnect fees	22,731
Other Fees and Charges	122,089
Total Operating Revenues	1,492,719
OPERATING EXPENSES	
Personnel Costs	358,106
Contracted Services	13,459
Supplies	1,917
Maintenance	139
Self Insurance Claims & Administration	-
Other Operating Expenses	317,610
Subtotal	691,231
Water Purchased	171,504
Depreciation	154,398
Amortization	-
Total Operating Expenses	1,017,133
Net Operating Income	475,586
NON-OPERATING REVENUES (EXPENSES)	
Refunding Bonds Issued	-
Payments to Escrow Agents	-
Grant Income	-
Interest Income	342
Interest and Fiscal Charges	(116,373)
Net Non-Operating Revenues (Expenses)	(116,031)
Income Before Transfers	359,555
Transfers in	-
Transfers (out)	(401,534)
Change in Net Position	(41,980)
Prior Period Adjustment	394,969
NET POSITION BEGINNING OF YEAR	6,457,568
NET POSITION END OF YEAR	6,810,557

CITY OF MATHIS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT D-3

	Business-Type Activities Enterprise Fund Utility Fund
Cash flow from operating activities:	
Cash received from customers	1,505,294
Cash received from other funds for services	-
Cash payments to suppliers for goods and services	(817,527)
Cash payments to employees for services	(360,861)
Other adjustments	-
Net cash provided by operating activities	326,907
Cash flows from noncapital financing activities:	
Transfers to other funds	(401,534)
Cash Flows from Capital and Related Financing Activities:	
Net Refunds bonds/costs	-
Grant Proceeds	-
Principal Payment on bonds	123,000
Interest and Fiscal Charges Paid	(116,373)
Purchase of Capital Assets	0
Other Adjustments	219,002
Net Cash Used for Capital and Related Financing Activities	225,629
Cash Flows from Investing Activities- Interest Income	342
Net Increase (Decrease) in Cash and Cash Equivalents	151,343
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	388,625
CASH AND CASH EQUIVALENTS AT END OF YEAR	539,968
Reconciliation of Operating Income to Net Cash	
Operating Activities	
Operating Income	475,586
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	154,398
Amortization	-
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable (Net)	(6,481)
(Increase) Decrease in Due from Other Funds	19,056
(Increase) Decrease in Due from Other Governments	-
(Increase) Decrease in Prepaid Items	-
(Increase) Decrease in Inventory	-
Increase (Decrease) in Accounts Payable	(348,227)
Increase (Decrease) in Accrued Liabilities	(11,067)
Increase (Decrease) in Due to Other Funds	(16,202)
Increase (Decrease) in Capital Leases Payable	62,598
Increase (Decrease) in Compensated Absences	(2,755)
Increase (Decrease) in Customer Deposits	-
Net Cash Provided by Operating Activities	326,907

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CITY OF MATHIS, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT E-1

	Agency Funds
Assets	
Cash and cash equivalents	\$ 13,565
Accounts Receivable	776
Total Assets	<u>\$ 14,341</u>
Liabilities	
Due to others	\$ 14,341
Total Liabilities	<u>\$ 14,341</u>

The accompanying notes are an integral part of this statement.

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NOTES TO FINANCIAL STATEMENTS

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mathis, Texas (the City) was incorporated by an election held on August 16, 1938 and certified by the San Patricio City Commissioners Court on January 20, 1939. The City operates under charter – City Manager form of government and provides the following services: public safety, public transportation health, culture – recreation, public facilities, legal, election functions, and general administration services.

The Accounting principles of the City of Mathis, Texas conform to generally accepted accounting principles (GAAP) as applicable to local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Principals Determining Scope of Reporting Entity

The financial statements of the City of Mathis consist only of the fund and account group. The City of Mathis has no oversight responsibility for any other governmental entity. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

A. REPORTING ENTITY

The City Council (the "Council") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the Council is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." The Mathis Economic Development Corporation was formed via an election held on May 3, 1997 authorized by the Mathis City Council per ordinance No. 96-09 and authorized by Section 4B, Article 5190.06, V.T.C.S. A half-cent tax is assessed and collected via the sales tax and funds the projects as well as economic development for the city as allowed per the statute. The affairs of the Corporation are managed by a board of directors which are composed of seven persons appointed by the governing body of the City. The Corporation as a 4-B Sales Taxing entity and is required by generally accepted accounting principles (GAAP) to present the financial statements of the government is considered to be financially accountable. The Corporation, as a component unit of the City of Mathis, Texas, although legally separate entities, are, in substance, part of the governments, operations and so data from these units are combined with data of the City of Mathis, Texas, the primary government. These financial statements are reported in a separate column in the City of Mathis, Texas, financial statements to emphasize it is legally separate from the government.

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

	Risk Categories			Bank	Carrying
	(1)	(2)	(3)	Balance	Amount
Cash Accounts	546,734	-	-	546,734	546,734
Total	546,734	-	-	546,734	546,734

The Corporation's investments are categorized as either (1) insured or registered, or securities held by the Corporation or its agent in the Corporation's name, (2) uninsured and unregistered with securities held by the financial institution's trust department or agent in the Corporation's name or (3) uninsured and unregistered with securities held by the financial institution's trust department or agent not in the Corporation's name. Cash amounts are secured within F.D.I.C. coverage and pledge amounts.

Bond requirements of the Mathis Economic Development Corporation are as follows:

Year Ending September 30	Principal	Interest	Requirement
2015	57,184	11,056	68,240
2016	59,669	8,726	68,395
2017	62,169	6,291	68,460
2018	64,684	3,751	68,435
2019	36,839	1,801	38,640
Thereafter	-	-	-
Total	280,545	31,625	312,170

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Mathis, Texas and its component unit(s) non-fiduciary activities with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. Taxes are always general revenues.

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Inter-fund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All inter-fund transactions between governmental funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as inter-fund transfers. Inter-fund activities between governmental funds and fiduciary funds remain as due from's/due to on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses). The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors periodically require the City to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before December 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The accounts of the City of Mathis are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounting for with a separate set of self – balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses, as appropriate Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are classified into three categories; governmental, proprietary and fiduciary. Each category, in turn, is divided into separate fund types. The following fund types and account groups are maintained by the City of Mathis:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the City of Mathis. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund is the fund that is utilized to satisfy general obligations of the City with tax revenues.

Special Revenue Funds – The Special Revenue Funds account for resources generated by proceeds from revenue programs that are designated for or restricted to expenditures for specified purposes.

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

PROPRIETARY FUND

Enterprise Fund – The Enterprise Fund is used to account for the operation of the water and sewer utility system. Enterprise funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS

Fiduciary Fund – The Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City of Mathis, in a trustee or agency capacity. When these assets are held under the terms of a formal trust agreement, either a “non-expendable” or “expendable” refer to whether or not the City is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government as their agent, holds on behalf of others.

Trust and Agency – The Police Drug fund is used to account for money and property seized in drug raids according to legislation passed during the 71st Legislature of the State of Texas, and a “local agreement” with the state’s attorney. This money is to be used by the police department to combat drug crimes. Other trust monies include the Volunteer Fire Department and the Police Reserve Fund.

E. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., total net asset) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increase (e.g., revenues) and decreases (e.g., expenses) in total assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City of Mathis considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

E. BASIS OF ACCOUNTING (continued)

Those revenues considered susceptible to accrual are property taxes, hotel taxes, special assessments, interest income and charges for services. Sales taxes collected and held by the State at year-end on behalf of the City also are recognized as revenues. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred.

All proprietary funds are using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Utility revenues billed to customers are based on a monthly meter reading. Unbilled utility service revenues have been accrued through September 30, 2014.

F. OTHER ACCOUNTING POLICIES

Investments - The City of Mathis can legally invest in certificates of deposits, repurchase agreements, obligations of the U.S. Government and its Agencies or instrumentalities and State obligations, all of which are recorded at cost.

Restricted Assets - These assets consist of cash and liquid investments accounts restricted for the Water and Sewer Fund debt service. The City of Mathis has several combination debt service and revenue bond obligations. These obligations can be satisfied from either source of funds.

Inventories - Inventories are stated at the lower of cost or market. Inventories of material and supplies held by Water and Sewer Fund are recorded in the Enterprise Fund.

Fixed Assets Accounting - All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at their estimated fair market value on the date of donation. Public domain general fixed assets (infrastructure) consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, etc., have not been capitalized. Such assets are normally immovable and of value only to the City of Mathis, therefore, the purpose of stewardship for these items is satisfied without recording of these assets in governmental funds. No depreciation has been provided on general fixed assets.

Fixed assets of proprietary funds are capitalized in the fund accounts because the fixed assets are used in services sold. Fixed assets are recorded at historical cost if purchased or constructed. Donated assets are recorded at estimated market value as of date of donation. Depreciation of fixed assets for proprietary funds is recognized in determining net income and changes in fund equity. Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided using the straight-line method over the estimated useful lives of the assets, which range from 4 to 50 years.

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Inter-fund Transactions

During the course of normal operations the City of Mathis has numerous transactions between funds including expenditures and transfers of resources to provide services and service debt. The accompanying financial statements generally reflect such transactions as operating transfers, which are included in the results of operations of both governmental and proprietary funds. Short – term inter-fund loans receivable (reported in “Due from Other Funds”) are considered “available spend-able resources”.

Reclassification and Prior Period Adjustment. Adjustments have been made to correct balances to audit adjustments.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets at the Beginning of the year	Historic Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Change in Net Position
Land	\$ 322,575	\$ -	\$ 322,575	
Buildings	719,961	(515,623)	204,338	
Furniture & Equipment	3,413,093	(2,347,035)	1,066,058	
Capital Leases	-	-	-	
Infrastructure	5,776,351	(1,695,505)	4,080,846	
Change in Net Position	\$ 10,231,980	\$ (4,558,163)		\$ 5,673,817
Long-term Liabilities at the Beginning of the year				
Bonds Payable	\$ 700,000			
Loans Payable	166,730			
Capital Leases Payable	337,904			
Compensated Absences	22,197			
Other	-			
Change in Net Position	1,226,831			\$ (1,226,831)
Net Adjustment to Net Position				\$ 4,446,986

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net position. The details of this adjustment are as follows:

	Amount	Adjustments to Changes in Net Position	Adjustments to Net Position
<u>Current Year Capital Outlay</u>			
Land	\$ -	\$ -	\$ -
Buildings & Improvements	-	-	-
Furniture & Equipment	-	-	-
Construction in Process	-	-	-
Total Capital Outlay	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Debt Principal Payments</u>			
Bond Principal	115,000	115,000	115,000
Loan Principal	27,804	27,804	27,804
Capital Lease Payments	130,910	130,910	130,910
Other	-	-	-
Total Principal Payments	<u>273,714</u>	<u>273,714</u>	<u>273,714</u>
Total Adjustment to Net Position	<u>\$ 273,714</u>	<u>\$ 273,714</u>	<u>\$ 273,714</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Change in Net Position	Adjustments to Net Position
<u>Adjustments to Revenue and Unavailable Revenue</u>			
Taxes Collected from Prior Year Levies	\$ -	\$ -	\$ -
Uncollected taxes(assumed collectible) from Current Year Levy	123,164	123,164	123,164
Uncollected Taxes (assumed collectible) from Prior Year Levy	182,257	182,257	182,257
Other	-	-	-
Total	<u>\$ 305,421</u>	<u>\$ 305,421</u>	<u>\$ 305,421</u>

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

Budgets and Budgetary Accounting

The following procedures are used by the City of Mathis in establishing the budgetary data reflected in the financial statements:

(1) Prior to October 1, the beginning of the fiscal year, the City Manager submits a proposed budget to the Council. The operating budget includes proposed expenditures and the means of financing them. The Budget process begins several months usually in July of the preceding fiscal year starts.

(2) Public hearings are conducted to obtain taxpayer comments.

(3) The budget and the tax levy are legally enacted through the passage of ordinances.

(4) The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Council.

(5) Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue Fund, and Proprietary Funds.

(6) Budgets for the General, Debt Service, Special Revenue and Proprietary Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or as amended by the City Council.

(7) Appropriations lapse at year-end.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Various line item expenditures exceeded appropriations but overall the City remained within its various departmental budgets.

C. DEFICIT FUND EQUITY

None

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$856,634 and the bank balance was \$810,184. The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Cash or Investments that are insured, registered or held by the City or by its agent in the City's name.

Category 2 - Cash or Investments that are uninsured and unregistered held by the counterparty's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered investments held by the counterparty, its trust department, or its agent, but not in the City's name.

Based on these three levels of risk, all of the City's investments are classified as Category 1.

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

The City's investments at September 30, 2014, are shown below:

Investment Maturities (In Years)

Investment or Investment Type	Fair Value	Less than 1	1 to 2	2 to 3
Investment in Tex-Pool	-	-	-	-
Total Fair Value	\$ -	\$ -	\$ -	\$ -

B. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. The City's property tax is levied each October 1 on the basis of assessed values at the date the enforceable lien attaches. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

The San Patricio City Appraisal City, assessed at 100% of appraised value establishes appraised values. The San Patricio City Tax Assessor collects the City's tax funds and remits the following month after collections are made.

The City of Mathis allocates and distributes property tax revenues as well as penalties and interest collected thereon to the General Fund and Debt Service Fund based on the percentage of collections and applicable tax rate. Property taxes receivable is recorded as assets and offset by a corresponding entry to deferred revenue. Property tax revenues are recorded revenues, as they become available.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

D. INTERFUND BALANCES AND TRANSFERS

Inter-fund balances at September 30, 2014, consisted of the following amounts:

Due From:

General Fund	-
All Others	49,121
Total Due to General Fund from Other Funds	<u>49,121</u>

Due To:

General Fund	49,121
Internal Service Funds	-
All Others	-
Total Due to Major Fund #1	<u>49,121</u>

Inter-fund transfers for the year ended September 30, 2014, consisted of the following individual amounts:

Transfers from Other Funds:

Major Governmental Funds	587,691
Non-Major Governmental Funds	52,254
All Others	-
Total Transfers to General Fund	<u>639,945</u>

Transfers to Other Funds:

Major Governmental Funds	228,411
Non-Major Governmental Funds	10,000
All Others	401,534
Total Transfers to Nonmajor Governmental Funds	<u>639,945</u>

Note- the transfers were noted to be out of balance.

E. DESEGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2014, were as follows:

	Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 249,346	\$ 83,429	\$ -	\$ 144,115	\$ 476,890
Capital Project Fund	-	-	-	-	-
Debt Service Fund	56,075	-	-	-	56,075
Other Major Governmental Fund	-	-	-	-	-
Non-major Funds	-	-	-	41	41
Other Funds	-	-	-	-	-
Total - Governmental Activities	<u>\$ 305,421</u>	<u>\$ 83,429</u>	<u>\$ -</u>	<u>\$ 144,156</u>	<u>\$ 533,006</u>
Business-Type Activities:					
Major Enterprise Fund #1	\$ -	\$ -	\$ -	\$ 233,283	\$ 233,283
Nonmajor Enterprise Funds	-	-	-	-	-
Total Business-Type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,283</u>	<u>\$ 233,283</u>

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Payables at September 30, 2014, were as follows:

	Accounts	Loans, Leases and Bonds Payable Current Year	Salaries and Benefits	Due to Other Funds	Due to Other Govts	Other	Total Payables
Governmental Activities:							
General Fund	\$ 200,279	\$ 272,030	\$ -	\$ 49,121	\$ -	\$ -	\$ 521,430
Debt Service Fund	-	-	-	-	-	-	-
Major Governmental Fund #2	-	-	-	-	-	-	-
Major Governmental Fund #3	-	-	-	-	-	-	-
Nonmajor Governmental Funds	-	-	-	-	-	-	-
Internal Service Funds	-	-	-	-	-	-	-
Total - Governmental Activities	<u>\$ 200,279</u>	<u>\$ 272,030</u>	<u>\$ -</u>	<u>\$ 49,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 521,430</u>
Business-Type Activities:							
Major Enterprise Fund #1	\$ 108,878	\$ 216,661	\$ 19,283	\$ -	\$ -	\$ -	\$ 344,822
Nonmajor Enterprise Funds	-	-	-	-	-	-	-
Total Business-Type Activities	<u>\$ 108,878</u>	<u>\$ 216,661</u>	<u>\$ 19,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 344,822</u>

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended September 30, 2014, was as follows:

	Primary Government			
	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 322,575	\$ -	\$ -	\$ 322,575
Total Capital assets, not being depreciated	322,575	-	-	322,575
Capital Asset being depreciated:				
Buildings and improvements	719,960	-	-	719,960
Machinery, equipment and vehicles	3,413,094	-	-	3,413,094
Infrastructure	5,776,351	-	-	5,776,351
Total capital assets, being depreciated	9,909,405	-	-	9,909,405
Less accumulated depreciation for:				
Buildings and improvements	515,623	12,734	-	528,357
Machinery, equipment and vehicles	2,347,035	211,720	-	2,558,755
Infrastructure	1,695,505	77,018	-	1,772,523
Total accumulated depreciation	4,558,163	301,472	-	4,859,635
Total capital assets being depreciated, net	5,351,242	(301,472)	-	5,049,770
Governmental activities capital assets, net	5,673,817	(301,472)	-	5,372,345
Business-type Activities				
Capital Assets, not being depreciated				
Land	12,412	-	-	12,412
Total capital assets, not being depreciated	12,412	-	-	12,412
Capital Assets, being depreciated				
Buildings and improvements	222,445	-	-	222,445
Machinery, equipment and vehicles	125,681	-	-	125,681
Infrastructure	11,170,524	-	-	11,170,524
Total capital assets, being depreciated	11,518,650	-	-	11,518,650
Less accumulated depreciation for:				
Buildings and improvements	176,717	2,789	-	179,506
Machinery, equipment and vehicles	100,569	5,370	-	105,939
Infrastructure	3,349,997	146,239	-	3,496,236
Total accumulated depreciation	3,627,283	154,398	-	3,781,681
Total capital assets, being depreciated, net	7,891,367	(154,398)	-	7,736,969
Business-type activities capital assets, net	\$ 7,903,779	\$ (154,398)	\$ -	\$ 7,749,381

Depreciation expense was charged to governmental functions as follows:

General Government	301,472
Utility Fund	154,398
Total Depreciation Expense	<u>455,870</u>

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

G. SHORT-TERM DEBT PAYABLE

[GASB 2300.107f] The City accounts for short-term debts for maintenance purposes through the General Fund. Short-term debts include notes made in accordance with the provisions of the State Law. The proceeds from loans are shown in the financial statements as Other Resources and principal payments are shown as Other Uses.

<u>Date of Issue/Maturity</u>	<u>Description</u>	<u>Beginning Balance</u>	<u>Amount Issued</u>	<u>Amount Redeemed</u>	<u>Ending Balance</u>
Bank Loans - Various	Equipment	166,730	-	29,118	137,612

H. BONDS AND LONG-TERM NOTES PAYABLE

[GASB 2300.106m and 2200.109 and 2300.106i] Bonded indebtedness of the City is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended September 30, 2014 is as follows:

<u>DESCRIPTION</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Interest Current Year</u>	<u>Payable Amounts Outstanding</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding</u>
Cert. of Obligations - 2003	4.60%	1,560,000	30,935	700,000	-	115,000	585,000
Total Governmental Activities			<u>30,935</u>	<u>700,000</u>	<u>-</u>	<u>115,000</u>	<u>585,000</u>

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

I. COMMITMENTS UNDER OPERATING LEASES

[GASB 2300.106j and 1400.108 and L20.128-.129] Commitments under operating (non-capitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of September 30, 2014, as follows:

None

J. DEBT SERVICE REQUIREMENTS - BONDS AND CAPITAL LEASES

Debt service requirements for bonds in the governmental funds are as follows:

Year Ending September 30	General Obligations		
	Principal	Interest	Total
2015	\$ 120,000	\$ 25,530	\$ 145,530
2016	125,000	20,010	145,010
2017	130,000	14,145	144,145
2018	140,000	8,050	148,050
2019	70,000	1,610	71,610
Thereafter	-	-	-
Totals	<u>\$ 585,000</u>	<u>\$ 69,345</u>	<u>\$ 654,345</u>

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

Year Ending September 30	General Obligations		
	Principal	Interest	Total
2015	\$ 12,000	\$ 41,000	\$ 53,000
2016	13,000	40,500	53,500
2017	13,000	39,900	52,900
2018	14,000	39,300	53,300
2019	15,000	38,700	53,700
Thereafter	831,000	645,400	1,476,400
Totals	<u>\$ 898,000</u>	<u>\$ 844,800</u>	<u>\$ 1,742,800</u>

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Capital Leases

[GASB 2300.107h and L20.128-.129] Describe the nature of the lease giving its purpose, legal authorization, the amount capitalized, the minimum annual payments, and the effective rate of interest. Governmental Funds:

Year Ending September 30,	
2015	\$ 126,350
2016	96,651
2017	-
2018	-
2019	-
Thereafter	-
Total Capital Leases	<u>223,001</u>
Less Interest	<u>14,693</u>
Net	<u>\$ 208,308</u>

Capital Leases

[GASB 2300.107h and L20.128-.129] Describe the nature of the lease giving its purpose, legal authorization, the amount capitalized, the minimum annual payments, and the effective rate of interest. Utility Fund:

Year Ending September 30,	
2015	\$ 176,986
2016	177,853
2017	182,355
2018	-
2019	-
Thereafter	-
Total Capital Lease Payments	<u>537,194</u>
Less Interest	<u>53,921</u>
Net	<u>\$ 483,273</u>

K. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Vacation and sick leave benefits are accrued by the City of Mathis employees. The City of Mathis has recorded its obligation for unused vacation and sick leave benefits as they are earned by the employees. The total amount accrued as of September 30, 2014 was \$17,191 in the various funds and \$14,639 in the proprietary fund.

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

L. DEFINED BENEFIT PENSION PLAN

Plan Description: The City of Mathis provides pension benefits for all of its eligible employees (except firefighters and part – time personnel) through a non – traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple – employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

	Plan Year 2013	Plan Year 2012
Employee Deposit Rate	7.00%	7.00%
Matching Ratio (City to Employee)	1 to 1	1 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility (Expressed as Age/Years of Service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%	0%
Annuity Increase (to Retirees)	0% of CPI	0% of CPI

Contributions: Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation (asset) are as follows:

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. Annual Required Contribution (ARC)	113,780
2. Interest on Net Pension Obligation	-
3. Adjustment to the ARC	-
4. Annual Pension Cost (APC)	113,780
5. Contributions Made	113,780
6. Increase (Decrease) in net pension obligation	-
7. Net Pension Obligation/(Asset), beginning of year	-
8. Net Pension Obligation/(Asset), end of year	-

The above reflects the employer and employee portion for the fiscal year.

Three year Trend Information

Fiscal Year Ending	Annual Pension Cost	Actual Contributions Made	Percentage of APC Contributed	Net Position Obligation/ (Asset)
2012	112,910	112,910	100%	-
2013	110,283	110,283	100%	-
2014	113,780	113,780	100%	-

The above reflects the annual pension cost for the employer and employee per the monthly Texas Municipal Retirement reports.

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 2012, also follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Union Credit	Projected Union Credit	Projected Union Credit
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll
GASB 25 Equivalent Single Amortization Period	100.0 years- closed period	24.9 years- closed period	25.0 years- closed period
Amortization Period for new Gains/Losses	25 Years	25 Years	25 Years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions			
Investment Rate of Return	7.00%	7.00%	7.00%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.00%	3.00%	3.00%
Cost-of-living adjustments	0.00%	0.00%	0.00%

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as of Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2010	2,389,964	2,096,840	114.0%	(293,124)	1,382,542	-21.2%
12/31/2011	2,553,892	2,128,470	120.0%	(425,422)	1,472,652	-28.9%
12/31/2012	2,621,516	2,266,889	115.6%	(354,627)	1,515,047	-23.4%

Regarding supplemental Death Benefits in compliance with GASB Statement 45, the City does offer supplemental death benefits to active or retirees for the 2013 or 2014 plan years.

City Supplemental Death to:	Plan Year 2012	Plan Year 2013
Active Employees (Yes or No)	Yes	Yes
Retirees (Yes or No)	Yes	Yes

Contributions

The city contributes to the Supplemental Death Benefits Fund 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 Supplemental Death Benefits Fund program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The city's contribution to the TMRS SDBF for the years ended 2014, 2013 and 2012 were \$8,947, \$9,090, and \$8,836, respectively, which equaled the required contributions each year.

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

M. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended September 30, 2014, was as follows:

Bonds and Notes Payable:					
General Obligation Bonds	\$ 700,000	\$ -	\$ 115,000	\$ 585,000	\$ 120,000
Notes	166,730	-	29,118	137,612	30,494
Equipment Note	-	-	-	-	-
Less Deferred Amount on Refunding	-	-	-	-	-
Total Bonds and Notes Payable	<u>866,730</u>	<u>-</u>	<u>144,118</u>	<u>722,612</u>	<u>150,494</u>
Other Liabilities:					
Capital Leases	337,904	-	129,596	208,308	115,986
Compensated Absences	22,197	-	5,004	17,193	5,550
Claims and Judgments	-	-	-	-	-
Total Other Liabilities	<u>360,101</u>	<u>-</u>	<u>134,600</u>	<u>225,501</u>	<u>121,536</u>
Total Governmental Activities Long-Term Liabilities	<u>1,226,831</u>	<u>-</u>	<u>278,718</u>	<u>948,113</u>	<u>272,030</u>
Business-type Activities					
Bonds and Notes Payable:					
Bonds	910,000	-	12,000	898,000	12,000
Loans	39,109	-	12,467	26,642	13,028
Less Deferred Amounts	-	-	-	-	-
Total Bonds and Note Payable	<u>949,109</u>	<u>-</u>	<u>24,467</u>	<u>924,642</u>	<u>25,028</u>
Other Liabilities					
Compensated Absences	22,038	-	7,558	14,480	2,928
Capital Leases	625,174	-	141,902	483,272	150,633
Total Other Liabilities	<u>647,212</u>	<u>-</u>	<u>149,460</u>	<u>497,752</u>	<u>153,561</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 1,596,321</u>	<u>\$ -</u>	<u>\$ 173,927</u>	<u>\$ 1,422,394</u>	<u>\$ 178,589</u>

N. UNAVAILABLE REVENUE

Unavailable revenue at year end consisted of the following:

	General Fund	Business Type Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 249,346	\$ -	\$ 56,075	\$ 305,421
Other	-	-	-	-
Total Unavailable Revenue	<u>\$ 249,346</u>	<u>\$ -</u>	<u>\$ 56,075</u>	<u>\$ 305,421</u>

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

O. DUE FROM STATE AGENCIES

The City participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. Amounts due from federal and state governments as of September 30, 2014, are summarized below.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 83,429	\$ -	\$ 83,429
Special Revenue	41	-	41
Total	<u>\$ 83,470</u>	<u>\$ -</u>	<u>\$ 83,470</u>

P. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Property Taxes	\$ 440,144	\$ -	\$ 492,609	\$ -	\$ 932,753
Penalties, Interest and Other					
Tax Related Income	46,001	-	-	-	46,001
Investment Income	-	109	-	-	109
Sales Tax	781,545	-	-	-	781,545
Charges for Services	434,341	-	-	-	434,341
Other	709,362	41,762	110	-	751,234
Total	<u>\$ 2,411,393</u>	<u>\$ 41,871</u>	<u>\$ 492,719</u>	<u>\$ -</u>	<u>\$ 2,945,983</u>

Q. RELATED ORGANIZATIONS

The Mathis Economic Development Corporation (the "Corporation"), a not-for-profit entity which was organized to provide additional street and water improvements from a self imposed sales tax from a city wide referendum. The City Council appoints the member board of directors on a periodic basis and is a "related organization" of the City as defined by *Governmental Accounting Standards Board Statement No. 14*.

R. PRIOR PERIOD ADJUSTMENT

Various adjustments were made in the utility fund to adjust liabilities and other reclassifications.

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

S. FUND EQUITY - GASB 54 NOTE

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The classifications are as follows:

Non-spendable - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of inter-fund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the City of Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or state statute.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

City Fund Balance Policy

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The City has in the past and plans to continue in the future its conservative approach to monitoring expenditures to ensure that fund balances stay strong. The City is working on rebuilding its fund balance.

Fund Balance - GASB 54 Compliance

By a majority vote in a scheduled meeting of the City Council, the Council may commit fund balances and it may modify or rescind these commitments. The City Council may also delegate authority to persons or parties to assign fund balances in specific circumstances. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows.

<u>Fund Balance Classification</u>	<u>Amount</u>
Restricted	
Federal/State Grants	\$227,850
Retirement of Long Term Debt	85,725
Assigned Fund Balances	
Undesignated/Unassigned	-
Unassigned Fund Balance	<u>98,562</u>
Total Fund Balances	\$ <u>412,136</u>

T. PRIOR PERIOD ADJUSTMENTS

The City has made adjustments to correct liabilities that should have been recorded in the prior period. Adjustments were also made to the overall GASB entries for leases/fixed assets reflected on the prior ledgers.

U. SUBSEQUENT EVENTS

The City of Mathis, Texas, has no reportable litigation pending that is not covered by insurance and therefore, no liability is reflected in the financial statements for the September 30, 2014 fiscal year as necessary. The Council has evaluated subsequent events through June 8, 2017, the date which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF MATHIS, TEXAS
REQUIRED SUPPLEMENTARY DISCLOSURE
AS OF SEPTEMBER 30, 2014**

LAST THREE VALUATION DATES

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
12/31/2010	2,389,964	2,096,840	(293,124)	114.0%	1,382,542	-21.2%
12/31/2011	2,553,892	2,128,470	(425,422)	120.0%	1,472,652	-28.9%
12/31/2012	2,621,516	2,266,889	(354,627)	115.6%	1,515,047	-23.4%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES AS SUPPLEMENTARY
INFORMATION – COMPARATIVE BALANCE SHEET – GENERAL FUND AND DEBT SERVICE
FUND

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**CITY OF MATHIS, TEXAS
GENERAL FUND
BALANCE SHEET
SEPTEMBER 30, 2014 AND 2013**

EXHIBIT H-1

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Texpool Accounts	120,417	307,834
Receivables and Allowances:		
Accounts		
Assessments and Fees (net)	144,115	93,780
Miscellaneous	-	10,834
Inventory	-	-
Due From Other Governmental Agencies		
Sales Taxes	83,429	-
Parks and Wildlife	-	-
Ad Valorem Taxes	366,686	518,486
Allowance for Uncollectible Taxes	(117,340)	(155,546)
Due from Other Funds	-	-
Prepaid Items	-	-
TOTAL ASSETS	<u>597,308</u>	<u>775,388</u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	200,279	369,645
Other Payables	-	-
Due to Other Funds	49,121	71,294
TOTAL LIABILITIES	<u>249,400</u>	<u>440,940</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Tax Revenues		
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>249,346</u>	<u>362,940</u>
FUND BALANCE		
Reserve for Inventory	-	-
Reserve for Compensated Balances	-	-
Unreserved		
Undesignated	98,562	(28,491)
TOTAL FUND BALANCE	<u>98,562</u>	<u>(28,491)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>597,308</u></u>	<u><u>775,388</u></u>

CITY OF MATHIS, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER SOURCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014
WITH COMPARATIVE ACTUAL AMOUNT FOR 2013

EXHIBIT H-2
Page 1 of 2

	2014		2013		
	<u>BUDGETED AMOUNTS</u>		<u>Budget</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES					
Taxes					
Ad valorem- Current	612,000	612,000	361,743	(250,257)	474,587
Ad valorem- Delinquent	100,000	100,000	78,401	(21,599)	44,133
Ad valorem- Penalty & Interest	45,000	45,000	46,001	1,001	68,132
Attest Fees	-	-	-	-	-
City Sales	660,000	660,000	781,545	121,545	884,105
Street Maintenance Sales Tax	-	-	-	-	-
EDC Monthly Expense Fee	-	-	-	-	-
Franchise	162,000	162,000	186,254	24,254	200,234
Other, Refuse	-	-	-	-	-
Total Taxes	1,579,000	1,579,000	1,453,943	(125,057)	1,671,189
Licenses and Permits					
Animal Licenses	2,000	2,000	410	(1,590)	190
Business Licenses	2,200	2,200	940	(1,260)	533
Building Permits	18,000	18,000	6,980	(11,020)	14,817
Electrical Permits	2,500	2,500	4,000	1,500	3,070
Plumbing Permits	1,500	1,500	785	(715)	605
Other Permits	2,000	2,000	2,859	859	1,772
Mechanical Permits	500	500	85	(415)	440
Total Licenses and Permits	28,700	28,700	16,059	(12,641)	21,426
Mechanical Permits					
Intergovernmental	4,500	4,500	10,648	6,148	-
Total Intergovernmental	4,500	4,500	10,648	6,148	-

CITY OF MATHIS, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER SOURCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014
WITH COMPARATIVE ACTUAL AMOUNT FOR 2013

EXHIBIT H-2

Page 2 of 2

	2014		2013	
	<u>BUDGETED AMOUNTS</u>		<u>Budget</u>	
	<u>Original</u>	<u>Final</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Charges for Services				
Rural Fire Calls	45,000	45,000	(45,000)	-
Jury Reimbursement Fees	-	-	-	-
Weed Control Charges	-	-	-	-
Rec Machine Tax	65,000	65,000	(65,000)	75,278
Mixed Beverage Tax	1,000	1,000	(1,000)	-
Child Safety Fee	-	-	-	-
Refuse Services	452,657	452,657	(19,675)	434,175
Tax Certificate	-	-	-	-
Other	-	-	1,359	700
Subtotal	563,657	563,657	(129,316)	510,153
Other Revenues				
Other/Municipal Court Fines	35,000	35,000	(13,296)	27,778
Interest	300	300	(117)	149
EMS Billings/Contributions	677,699	677,699	(395,788)	533,857
Attorney Fees	-	-	-	-
Animal Control Fees	11,000	11,000	(10,730)	9,706
Cash Over/Short	-	-	-	25,036
Court Fees	22,500	22,500	45	31,874
Sale of Assets	-	-	-	-
Miscellaneous	508,167	508,167	(432,954)	368,133
Other Fees	2,700	2,700	(2,379)	1,083
Copy & Map Sales	100	100	(100)	-
Insurance Refund	10,000	10,000	(10,000)	-
Debt Share from Other Funds	19,320	19,320	(19,320)	-
Juvenile Case Manager	-	-	-	-
County EMS Subsidy	32,540	32,540	45,879	18,793
LEOSE	-	-	-	-
State Revenues	30,000	30,000	(14,163)	20,867
City Property/Bldg Rental/Land Use	1,500	1,500	(1,500)	1,000
Subtotal	1,350,826	1,350,826	(854,425)	1,038,276
Total Revenues	3,526,683	3,526,683	(1,115,290)	3,241,043
OTHER SOURCES- Operating Transfers				
Capital - related Debt Issued	-	-	-	-
Transfers	-	-	587,691	288,387
Total Operating Transfers	-	-	587,691	288,387
TOTAL REVENUES AND OTHER SOURCES	3,526,683	3,526,683	(527,599)	3,529,430

CITY OF MATHIS, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014
WITH COMPARATIVE ACTUAL AMOUNT FOR 2013

	2014			
	BUDGETED AMOUNTS		Personnel Costs	Supplies & Services
	Original	Final		
Current Expenditures				
General Administration				
Municipal Court	112,067	112,067	75	52,100
Administration	431,888	431,888	245,378	478,416
Legislative	-	-	-	-
Total General Administration	543,955	543,955	245,452	530,516
Public Safety				
Police	911,924	911,924	552,669	74,576
Fire	97,207	97,207	-	74,659
Emergency Medical Services	632,314	632,314	302,151	100,162
Animal Control	77,333	77,333	16,579	20,423
Code Enforcement	97,280	97,280	-	71,443
Total Public Safety	1,816,058	1,816,058	871,398	341,263
Public Works				
Streets Department	510,029	510,029	243,804	61,841
Total Public Works	510,029	510,029	243,804	61,841
Sanitation				
Sanitation	472,657	472,657	-	274,025
Total Sanitation	472,657	472,657	-	274,025
Culture and Recreation				
Library	31,500	31,500	-	20,400
Parks	118,878	118,878	42,175	17,868
Total Parks and Recreation	150,378	150,378	42,175	38,268
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Debt Service	-	-	-	-
Transfers out	-	-	-	-
Total Transfers out	-	-	-	-
Total Current Expenditures	3,493,077	3,493,077	1,402,829	1,245,913

EXHIBIT H-3

		2014		2013
Debt Service	Capital Outlay	Total Actual	Final Budget Variance	Actual
-	-	52,175	59,892	84,827
-	-	723,794	(291,906)	671,675
-	-	-	-	-
-	-	775,968	(232,013)	756,502
-	-	627,245	284,679	805,356
-	-	74,659	22,548	65,599
-	-	402,313	230,001	500,162
-	-	37,001	40,332	47,114
-	151,313	222,756	(125,476)	67,985
-	151,313	1,363,975	452,083	1,486,215
-	-	305,644	204,385	402,940
-	-	305,644	204,385	402,940
-	-	274,025	198,632	249,131
-	-	274,025	198,632	249,131
-	-	20,400	11,100	24,000
-	-	60,043	58,835	140,575
-	-	80,443	69,935	164,575
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	151,313	2,800,056	693,021	3,059,363

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**CITY OF MATHIS, TEXAS
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2014 AND 2013**

Exhibit H-4

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents	85,725	100,658
Receivables and Allowances		
Ad Valorem Taxes	105,919	216,124
Allowance for Uncollectible Taxes	(49,844)	(64,837)
Due from Other Funds	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u><u>141,800</u></u>	<u><u>251,945</u></u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	0	0
Due to Other Funds	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>0</u>	<u>0</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Tax Revenues	<u>56,075</u>	<u>151,287</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>56,075</u>	<u>151,287</u>
FUND BALANCE		
Reserve for Debt Service	<u>85,725</u>	<u>100,658</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>141,800</u></u>	<u><u>251,945</u></u>

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DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014

	2014				2013
	BUDGETED AMOUNTS		Final	Budget	
	Original	Final	Actual	Variance	Actual
REVENUES					
Ad valorem Taxes	404,176	404,176	467,047	62,871	279,576
Ad valorem- Penalty & Interest	0	0	25,562	25,562	0
Total Ad valorem Taxes	404,176	404,176	492,609	88,433	279,576
In Lieu Taxes	0	0	0	0	0
Interest	0	0	110	110	73
Total Revenues	404,176	404,176	492,719	88,543	279,649
EXPENDITURES					
Other Services and Charges	146,290	146,290	75,789	70,501	203,250
Debt Service					
Principal Retirement	101,625	101,625	173,803	(72,178)	147,000
Interest and Fiscal Charges	27,513	27,513	101,625	(74,112)	47,335
Total Expenditures	275,428	275,428	351,217	(75,789)	397,585
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	128,748	128,748	141,502	12,754	(117,936)
OTHER FINANCING SOURCES (USES)					
Other Financing - Bonds	0	0	0	0	0
Other Sources- Transfers (Out)	(156,435)	(156,435)	(156,435)	(0)	(86,888)
Other Sources- Transfers In	0	0	0	0	276,494
Total Other Financing Sources (Uses)	(156,435)	(156,435)	(156,435)	(0)	189,606
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(27,687)	(27,687)	(14,933)	12,754	71,670
FUND BALANCE, beginning of year	100,658	100,658	100,658	0	28,988
FUND BALANCE, end of year	72,971	72,971	85,725	12,754	100,658

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SCHEDULES – NON-MAJOR GOVERNMENTAL FUNDS

**CITY OF MATHIS, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2014
WITH COMPARATIVE TOTALS FOR 2013**

	<u>Court Technology Fund</u>	<u>Court Security Fund</u>	<u>Street Improvements Fund</u>	<u>CDBG Grant Fund</u>
ASSETS				
Cash and Cash Equivalents	1,509	-	103,210	-
Receivables	-	-	-	41
Due from Other Governments	-	-	-	-
Due from Other Funds	-	-	-	-
TOTAL ASSETS	<u>1,509</u>	<u>-</u>	<u>103,210</u>	<u>41</u>
LIABILITIES AND FUND BALANCE				
Accounts Payable	-	-	-	-
Due to Others	-	-	-	-
Due to Other Funds	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE				
Committed for Special Revenue	-	-	-	-
Assigned for Special Revenue	1,509	-	103,210	41
Restricted for Debt Service	-	-	-	-
TOTAL FUND BALANCE	<u>1,509</u>	<u>-</u>	<u>103,210</u>	<u>41</u>
TOTAL LIABILITIES & FUND BALANCE	<u>1,509</u>	<u>-</u>	<u>103,210</u>	<u>41</u>

EXHIBIT H-6

Police Improvement Fund	Hotel/ Motel Fund	Park Reserve Fund	Series 2003 Certificate of Obligation Fund	M. I. S. Information System Fund	FEMA Grant Fund	Total Governmental Funds	Total Nonmajor
						2014	2013
53	123,036	-	-	-	-	227,809	162,020
-	-	-	-	-	-	41	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
53	123,036	-	-	-	-	227,850	162,020
-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	0
-	-	-	-	-	-	0	0
-	-	-	-	-	-	-	-
53	123,036	-	-	-	-	227,850	162,020
-	-	-	-	-	-	-	-
53	123,036	-	-	-	-	227,850	162,020
53	123,036	-	-	-	-	227,850	162,020

**CITY OF MATHIS, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
UTILITY FUND
SEPTEMBER 30, 2014 AND 2013**

EXHIBIT I-1
Page 1 of 2

	2014	2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	422,683	303,053
Receivables and Allowances Accounts		
Water and Wastewater Billings	233,283	218,398
Assessments	0	0
Other	0	8,404
Allowance for Uncollectible Accounts	0	0
Due from Other Funds	0	19,056
Bond Issue Cost (Net)	0	0
Prepaid Items	0	0
Inventory	0	0
Total Current Assets	655,966	548,911
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents		
Meter Deposit Funds	117,286	85,572
Revenue Bond Reserve	0	0
Sinking Fund- Bonds	0	0
Total Restricted Assets	117,286	85,572
Capital Assets:		
Land	12,412	12,412
Construction in Progress	0	0
Buildings	222,445	222,445
Water System	7,383,959	7,383,959
Sewer System	3,786,564	3,786,564
Infrastructure	0	0
Vehicles	0	0
Furniture and Equipment	125,681	125,682
Total Capital Assets	11,531,062	11,531,062
Less Accumulated Depreciation	(3,781,680)	(3,627,282)
Net Capital Assets	7,749,382	7,903,780
TOTAL ASSETS	8,522,633	8,538,263

**CITY OF MATHIS, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
UTILITY FUND
SEPTEMBER 30, 2014 AND 2013**

EXHIBIT I-1
Page 2 of 2

	<u>2014</u>	<u>2013</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	108,878	457,105
Accrued Liabilities	0	11,067
Compensated Absences	19,283	22,038
Due to Other Funds	0	16,202
Capital Leases Payable	204,661	142,063
Current Portion of Revenue Bonds Payable	12,000	12,000
Customer Meter Deposits	<u>0</u>	<u>0</u>
Total Current Liabilities	<u>344,822</u>	<u>660,475</u>
Long-Term Liabilities		
Capital Leases Payable	346,253	522,220
Revenue Bonds Payable	<u>1,021,000</u>	<u>898,000</u>
Total Long-Term Liabilities	<u>1,367,253</u>	<u>1,420,220</u>
Total Liabilities	<u>1,712,075</u>	<u>2,080,695</u>
NET POSITION		
Invested in Capital Assets	6,165,467	6,329,496
Restricted for:		
Revenue Bond Retirement/Other	0	0
Unrestricted	<u>645,090</u>	<u>128,072</u>
Net Position	<u><u>6,810,557</u></u>	<u><u>6,457,568</u></u>

**CITY OF MATHIS, TEXAS
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
UTILITY FUND
YEAR ENDED SEPTEMBER 30, 2014 AND 2013**

EXHIBIT I-2

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Charges for Services		
Water Sales	859,984	934,323
Sewer Sales	487,916	518,280
Meter tap/reconnect fees	22,731	94,530
Other Fees and Charges	122,089	66,250
Total Operating Revenues	<u>1,492,719</u>	<u>1,613,383</u>
OPERATING EXPENSES		
Personnel Costs	358,106	495,590
Contracted Services	13,459	35,048
Supplies	1,917	4,320
Maintenance	139	4,959
Other Operating Expenses	317,610	537,929
Water Purchased	171,504	188,189
Depreciation	154,398	152,903
Amortization	-	-
Total Operating Expenses	<u>1,017,133</u>	<u>1,418,938</u>
Net Operating Income	<u>475,586</u>	<u>194,445</u>
NON-OPERATING REVENUES (EXPENSES)		
Refunding Bonds Issued	-	-
Payments to Escrow Agents	-	-
Grant Income	-	-
Interest Income	342	164
Interest and Fiscal Charges	(116,373)	-
Net Non-Operating Revenues (Expenses)	<u>(116,031)</u>	<u>164</u>
Income Before Transfers	<u>359,555</u>	<u>194,609</u>
Transfers in	-	820,451
Transfers out	(401,534)	(980,962)
Change in Net Position	<u>(41,980)</u>	<u>34,098</u>
Prior Period Adjustment	394,969	-
NET POSITION BEGINNING OF YEAR	<u>6,457,568</u>	<u>6,423,470</u>
NET POSITION END OF YEAR	<u>6,810,557</u>	<u>6,457,568</u>

CITY OF MATHIS, TEXAS

EXHIBIT I-3

UTILITY FUND

SCHEDULE OF OPERATING REVENUES AND EXPENSES- BY FUND

YEAR ENDED SEPTEMBER 30, 2014

	Utility-Water Fund 80	Utility-Wastewater Fund 90	Customer Service	Meter Deposit	Total
OPERATING REVENUES					
Charges for Services					
Water Sales	856,484	-	900	-	857,384
Sewer Sales	487,916	-	-	-	487,916
Meter Tap/Reconnect Fees	-	-	22,731	-	22,731
Water Taps	2,600	-	-	-	2,600
Sewer Taps	-	-	-	-	-
Total Charges for Services	1,346,999	-	23,631	-	1,370,630
Other Fees and Charges					
Delinquent Account Penalties	-	-	82,921	-	82,921
Reimbursement	-	-	-	36,400	36,400
Other	-	-	2,768	-	2,768
Total Other Fees and Charges	-	-	85,689	36,400	122,089
Total Operating Revenues	1,346,999	-	109,320	36,400	1,492,719
OPERATING EXPENSES					
Personnel Costs	302,719	-	55,387	-	358,106
Contracted Services	200	-	13,259	-	13,459
Supplies	-	-	1,917	-	1,917
Maintenance	-	-	139	-	139
Other Operating Expenses	311,997	-	-	5,613	317,610
SUBTOTAL	614,915	-	70,702	5,613	691,231
Water Purchased	171,504	-	-	-	171,504
Depreciation	154,398	-	-	-	154,398
Amortization	-	-	-	-	-
Total Operating Expenses	940,818	-	70,702	5,613	1,017,133
NET OPERATING INCOME	406,182	-	38,618	30,787	475,586
NON-OPERATING REVENUES (EXPENSES)					
Refunding Bonds Issued	-	-	-	-	-
Payments to Escrow Agents	-	-	-	-	-
Grant Income	-	-	-	-	-
Interest Income	286	-	4	51	342
Interest and Fiscal Charges	(116,373)	-	-	-	(116,373)
Net Non-Operating Rev. (Expenses)	(116,087)	-	4	51	(116,031)
Income Before Transfers	290,095	-	38,622	30,838	359,555
Transfers in	-	-	-	-	-
Transfers (out)	(307,282)	(67,870)	(29,231)	2,849	(401,534)
Change in Net Position	(17,187)	(67,870)	9,391	33,687	(41,980)
Prior Period Adjustment	394,969	-	-	-	394,969
NET POSITION BEG. OF YEAR	3,887,583	2,486,386	-	83,599	6,457,568
NET POSITION END OF YEAR	4,265,365	2,418,516	9,391	117,286	6,810,557

CITY OF MATHIS, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
UTILITY FUND
YEAR ENDED SEPTEMBER 30, 2014 AND 2013

EXHIBIT I-4

	2014	2013
Cash flow from operating activities:		
Cash received from customers	1,505,294	1,540,991
Cash payments to suppliers for goods and services	(817,527)	(556,801)
Cash payments to employees for services	(360,861)	(503,148)
Net cash provided by operating activities	326,907	481,042
Cash flows from noncapital financing activities:		
Net transfers to funds	(401,534)	(160,511)
Net Cash flows from non-capital financing activities	(401,534)	(160,511)
Cash Flows from Capital and Related Financing Activities:		
Net Refunds bonds/costs	-	-
Grant Proceeds	-	-
Principal Payment on bonds	123,000	(11,000)
Interest and Fiscal Charges Paid	(116,373)	-
Purchase of Fixed Assets/Bond Costs	0	679
Other adjustments	219,002	(353,954)
Net Cash Used for Capital and Related Financing Activities	225,629	(364,275)
Cash Flows from Investing Activities- Interest Income	342	164
Net Increase (Decrease) in Cash and Cash Equivalents	151,343	(43,580)
Cash and Cash Equivalents at Beginning of Year	388,625	432,205
CASH AND CASH EQUIVALENTS AT END OF YEAR	539,968	388,625
Reconciliation of Operating Income to Net Cash Provided by		
Operating Activities		
Operating Income	475,586	194,445
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation	154,398	152,903
Amortization	0	0
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable (Net)	(6,481)	(87,412)
(Increase) Decrease in Due from Other Funds	19,056	15,020
(Increase) Decrease in Due from Other Governments	0	0
(Increase) Decrease in Prepaid Items	0	0
(Increase) Decrease in Inventory	0	0
Increase (Decrease) in Accounts Payable	(348,227)	(5,955)
Increase (Decrease) in Accrued Liabilities	(11,067)	336,288
Increase (Decrease) in Due to Other Funds	(16,202)	(17,875)
Increase (Decrease) in Capital Leases Payable	62,598	8,251
Increase (Decrease) in Compensated Absences	(2,755)	(7,558)
Increase (Decrease) in Customer Deposits	0	(107,065)
Net Cash Provided by Operating Activities	326,907	481,042

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