OFFICIAL STATEMENT
Dated: January 23, 2020

Ratings: S&P Insured "AA"
S&P Underlying "A-"
(See "RATINGS" herein)

NEW ISSUE: Book-Entry-Only

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates (as defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. See "TAX MATTERS.

THE CERTIFICATES WILL BE DESIGNATED
AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

$3,560,000
CITY OF MATHIS, TEXAS
(San Patricio County)
Certificates of Obligation, Series 2020

Dated Date: February 1, 2020

Due: February 15, as shown on inside cover

Payment Terms… Interest on the $3,560,000 City of Mathis, Texas, Certificates of Obligation, Series 2020 (the "Certificates"), will accrue from their delivery date to the underwriter listed below (the "Underwriter") and will be payable February 15 and August 15 of each year, commencing on February 15, 2021. The Certificates will be issued only in fully registered form in principal denominations of $5,000 or any integral multiple thereof. Principal of the Certificates will be payable to the registered owner (the "Registered Owner") at maturity or prior redemption upon presentation at the principal corporate office of the paying agent/registrar (the "Paying Agent/Registrar"), initially UMB Bank, N.A., Austin, Texas. The Certificates will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will be responsible for distributing the principal and interest payments to the participating members of DTC and the participating members will be responsible for distributing the payment to the owners of beneficial interests in the Certificates. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Purpose… Proceeds from the sale of the Certificates will be used to: (i) to pay contractual obligations to be incurred for streets, water and sewer utility lines, sidewalks and for the purchase of equipment consisting of ambulance, fire command vehicle, police car, stretcher, heart monitors, valve actuator and software and related costs; and (ii) for the payment of contractual obligations for professional services pursuant to Subchapter C of Chapter 271, Texas Local Government Code, as amended. See "THE CERTIFICATES – Sources and Uses of Funds" herein.

Redemption… The Certificates maturing on and after February 15, 2034, are subject to optional redemption in whole or in part on February 15, 2030, or on any date thereafter at a redemption price equal to the principal amount thereof plus accrued interest as more fully described herein. Certain of the Certificates may be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more maturities as term certificates. See "THE CERTIFICATES – Optional Redemption" and "– Mandatory Redemption" herein.

Security and Source of Payment… The Certificates will constitute direct obligations of the City of Mathis, Texas (the "City"), payable from continuing, direct annual ad valorem taxes levied against all taxable property within the City within the limits prescribed by law and a limited subordinate pledge (in an amount not to exceed $1,000) of certain revenues of the water and wastewater system of the City as provided in the ordinance authorizing the Certificates.

Insurance… The scheduled payment of principal and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by Build America Mutual Assurance Company ("BAM"). BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P").

See Principal Amounts, Maturities, Interest Rates, and Prices on the Inside Cover Page

Legality… *The Certificates are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and Orrick, Herrington & Sutcliffe LLP, Bond Counsel, Houston, Texas. Certain legal matters will be passed upon for the Underwriter by its counsel, Sara Leon & Associates, LLC, Houston, Texas.*

Delivery… *The Certificates are expected to be available for delivery to the Underwriter through DTC on or about February 18, 2020.*

FROST BANK

MATURITY SCHEDULE

$3,560,000 Certificates of Obligation, Series 2020

Maturity (2/15)[a]	Principal Amount*	Interest Rate	Initial Yield/Price[b]	CUSIP[c]
2022	$80,000	4.00%	1.190%	576773CE3
2023	85,000	4.00%	1.240%	576773CF0
2024	85,000	4.00%	1.300%	576773CG8
2025	150,000	4.00%	1.300%	576773CH6
2026	155,000	4.00%	1.380%	576773CJ2
2027	165,000	4.00%	1.460%	576773CK9
2028	170,000	4.00%	1.580%	576773CL7
2029	175,000	4.00%	1.660%	576773CM5
2030	185,000	4.00%	1.760%	576773CN3
***	***	***	***	
2034	810,000	4.00%	1.920%	576773CS2
2037	705,000	4.00%	2.100%	576773CV5
2040	795,000	4.00%	2.220%	576773CY9

Yield shown is yield to first call date, February 15, 2030.

Term Certificates Stated to Mature on February 15, 2034

Year	Principal Amount
2031	$190,000
2032	200,000
2033	205,000
2034	215,000*

Term Certificates Stated to Mature on February 15, 2037

Year	Principal Amount
2035	$225,000
2036	235,000
2037	245,000*

Term Certificates Stated to Mature on February 15, 2040

Year	Principal Amount
2038	$255,000
2039	265,000
2040	275,000*

* Payable at Stated Maturity

(a) The Certificates maturing on and after February 15, 2034, are subject to optional redemption, in whole or in part, on February 15, 2030, or any date thereafter, at a price equal to the par value thereof, plus accrued interest from the most recent interest payment date to the date or redemption. Certain of the Certificates may be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more maturities as term certificates. See "THE CERTIFICATES – Optional Redemption" and "– Mandatory Redemption".

(b) The initial yields and prices are established by, and are the sole responsibility of the Underwriter and may subsequently be changed.

(c) CUSIP numbers have been assigned to this issue by the CUSIP Global Services managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Certificates. Neither the City, the Financial Advisor, nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

CITY OF MATHIS, TEXAS

CITY COUNCIL

Mayor	Ciri Villarreal
Mayor Pro Tem	David Garcia
Councilmember	Sandra Daniel Quinones
Councilmember	Richard Salinas
Councilmember	Eufemia M. Nieto
Councilmember	Ramon Acosta, Jr.

ADMINISTRATIVE OFFICERS

Michael Barrera	City Manager
Mary Acosta Gonzales	City Secretary
Lucinda Garcia	City Attorney

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Orrick, Herrington & Sutcliffe LLP, Houston, Texas	Bond Counsel
Ernest R. Garza and Company, P.C., Corpus Christi, Texas	Independent Auditor
Government Capital Securities Corporation, Southlake, Texas	Financial Advisor

For additional information regarding the City, please contact:

Michael Barrera
City Manager
City of Mathis
411 E. San Patricio Avenue
Mathis, TX 78368
(361) 547-3343
mbarrera@cityofmathis.com

Ed King
Government Capital Securities Corporation
559 Silicon Drive, Suite 102
Southlake, TX 76092
(817) 722-0220
eking@govcapsecurities.com

USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

THE CERTIFICATES ARE EXEMPTED FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN REGISTERED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the purchasers of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information set forth in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Neither the City, the Financial Advisor nor the Underwriter make any representation as to the accuracy, completeness or adequacy of the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry-Only System.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "Appendix E - Specimen Municipal Bond Insurance Policy."

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BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Certificates, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as Appendix E to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Certificates, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Certificates. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Certificates on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Certificates, nor does it guarantee that the rating on the Certificates will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $552.8 million, $130.8 million and $422.1 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre- sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions, credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Certificates, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Certificates. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Certificates, whether at the initial offering or otherwise.

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement, including the schedules and appendices hereto. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement including the Appendices hereto.

The Issuer	The City of Mathis, Texas (the "City"), is located in San Patricio County, Texas. For information regarding the City, see Appendices A and B.
The Certificates	$3,560,000 Certificates of Obligation, Series 2020 (the "Certificates"), dated February 1, 2020, maturing on the dates and in the amounts set forth on the inside front cover of this Official Statement. Interest on the Certificates will accrue from their date of delivery and will be paid semiannually on February 15 and August 15, commencing February 15, 2021, until maturity or prior redemption.
Purpose of Certificates	Proceeds from the sale of the Certificates will be used: (i) to pay contractual obligations to be incurred for streets, water and sewer utility lines, sidewalks and for the purchase of equipment consisting of ambulance, fire command vehicle, police car, stretcher, heart monitors, valve actuator and software and related costs; and (ii) for the payment of contractual obligations for professional services pursuant to Subchapter C of Chapter 271, Texas Local Government Code, as amended. See "THE CERTIFICATES – Sources and Uses of Funds" herein.
Authorization and Security	The Certificates are direct obligations of the City, issued pursuant to Chapter 271, Subchapter C, Texas Local Government Code, Chapter 1502, Texas Government Code, and an ordinance adopted by the City Council of the City (the "City Council") on January 27, 2020. The Certificates will constitute direct obligations of the City, payable from continuing, direct annual ad valorem taxes levied against all taxable property within the City within the limits prescribed by law and a limited subordinate pledge (in an amount not to exceed $1,000) of certain revenues of the water and wastewater system of the City as provided in the ordinance authorizing the Certificates.
Optional Redemption	The Certificates maturing on and after February 15, 2034, are subject to optional redemption in whole or in part on February 15, 2030, or on any date thereafter at a price of par plus accrued interest as more fully described herein. See "THE CERTIFICATES – Optional Redemption" herein.
Mandatory Redemption	Certain of the Certificates may be subject to mandatory sinking fund redemption in the event the Underwriter (as defined herein) elects to aggregate two or more consecutive maturities as term certificates. See "THE CERTIFICATES – Mandatory Redemption" herein.
Tax Exemption	In the opinion of Bond Counsel (as defined herein), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.
Qualified Tax Exempt Obligations	The City will designate the Certificates as "qualified tax-exempt obligations." See "TAX MATTERS – PURCHASE OF TAX-EXEMPT OBLIGATIONS BY FINANCIAL INSTITUTIONS" herein.

Ratings	The Certificates have been assigned an insured rating of "AA" and an underlying rating of "A-" by Standard & Poor's Rating Services, a Standard and Poor's Financial Services LLC business ("S&P") based upon the Municipal Bond Insurance Policy to be issued by Build America Mutual Assurance Company. An explanation of the significance of such rating may be obtained from S&P. See "RATINGS" herein.
Book-Entry-Only System	The Certificates are initially issuable only to Cede & Co., the nominee of The Depository Trust Company, New York, New York, pursuant to the book-entry-only system described herein. Beneficial ownership of the Certificates may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the purchasers thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the DTC Participants for subsequent remittance to the owners of the beneficial interests in the Certificates. See "BOOK-ENTRY-ONLY SYSTEM" herein.
Payment Record	The City has never defaulted on the payment of its bonded indebtedness.

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SELECTED FINANCIAL INFORMATION
(Unaudited)

2019 Certified Taxable Assessed Valuation……... (100% of Market Value as of January 1, 2019)	$139,057,829 [(a)]
City Debt:	
Outstanding Tax Supported Debt (as of September 30, 2019)…….….	$1,184,977 [(b)]
Plus: The Certificates……...	$3,560,000
Total Tax Supported Debt…….	$4,744,977
Debt Service Fund Balance (as of Sept. 30, 2019)……..	$657,131

	% of 2019 Assessed Valuation	2019 Per Capita (4,936)
Debt Ratios:		
Direct Tax Supported Debt…….	3.41%	$961

2019 Tax Rate (per $100 of Assessed Valuation)	
Maintenance and Operation	$0.8700
Debt Service ……	$0.1881
Total ……	$1.0581

Estimated Annual Debt Service Requirements……..	
Average……	$ 267,871
Maximum (2027)…….	$ 281,900

Tax Collections

Tax Year	
2016……	89.19%
2017……	81.75%
2018……	82.32%

(a) Provided by the San Patricio County Appraisal District (the "Appraisal District") and net of exemptions. Such value is further subject to changes as additions, corrections and deletions are made to the tax roll.

(b) Includes self-supporting debt.

OFFICIAL STATEMENT
RELATING TO

$3,560,000
CITY OF MATHIS, TEXAS
(San Patricio County)
Certificates of Obligation, Series 2020

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, the schedules and the appendices hereto, provides certain information regarding the issuance by the City of Mathis, Texas (the "City") of $3,560,000 Certificates of Obligation, Series 2020 (the "Certificates").

The Certificates will be authorized to be issued, sold and delivered by an ordinance enacted by the City's governing body (the "City Council"), and such ordinance is referred to herein as the "Ordinance." Capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Ordinance, except as otherwise indicated herein.

The City is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the laws of the State. For information regarding the City, see Appendices A and B of this Official Statement.

All financial and other information presented in this Official Statement has been provided by the City, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue to be repeated in the future.

THE CERTIFICATES

Purpose

Proceeds from the sale of the Certificates will be used: (i) to pay contractual obligations to be incurred for streets, water and sewer utility lines, sidewalks and for the purchase of equipment consisting of ambulance, fire command vehicle, police car, stretcher, heart monitors, valve actuator and software and related costs; and (ii) for the payment of contractual obligations for professional services pursuant to Subchapter C of Chapter 271, Texas Local Government Code, as amended. See "THE CERTIFICATES – Sources and Uses of Funds" herein.

Authorization

The Certificates are direct obligations of the City, issued pursuant to Chapter 271, Subchapter C, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, and the Ordinance.

Security for the Certificates

The Certificates are payable from continuing, direct annual ad valorem taxes levied against all taxable property within the City within the limits prescribed by law and a limited subordinate pledge (in an amount not to exceed $1,000) of certain revenues of the water and wastewater system of the City as provided in the ordinance authorizing the Certificates.

Optional Redemption

The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2034, in whole or in part, in integral multiples of $5,000, on February 15, 2030 or any date thereafter, such redemption date or dates to be fixed by the City, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all of the Certificates are to be redeemed, the City shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar (as defined herein) to select by lot the Certificates, or portions thereof, within each maturity to be redeemed.

Mandatory Redemption

Certain of the Certificates may be subject to mandatory sinking fund redemption in the event the Underwriter (as defined herein) elects to aggregate two or more consecutive maturities as term certificates

Notice of Redemption

Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each Registered Owner of a Certificate to be redeemed, in whole or in part, at the address of the Registered Owner appearing on the registration books (the "Registered Owner") of the Paying Agent/Registrar (as defined herein) at the close of business on the business day next preceding the date of mailing such notice. If notice is so given and sufficient funds are provided for the payment of the redemption price of the Certificates, interest shall cease to accrue after the date fixed for redemption whether or not the Certificates have been submitted for payment. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, AND THE FUNDS NECESSARY TO REDEEM SUCH CERTIFICATES HAVING BEEN PROVIDED, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

Sources and Uses of Funds

The proceeds from the sale of the Certificates will be applied approximately as follows:

Sources	
Principal Amount of Certificates	$3,560,000.00
Net Original Issue Premium	$592,234.55
Total Sources of Funds	$4,152,234.55
Uses	
Deposit to Project Fund	$4,024,000.00
Costs of Issuance*	$93,953.53
Underwriter's Discount	$34,206.00
Additional Proceeds	$75.02
Total Uses of Funds	$4,152,234.55

***** The cost of bond insurance is included in the Costs of Issuance

GENERAL INFORMATION REGARDING THE CERTIFICATES

General Description

The Certificates will be dated February 1, 2020 (the "Dated Date"), and will be issued in fully registered form in principal denominations of $5,000 or any integral multiple thereof. The Certificates will bear interest from the date of delivery to the underwriter listed on the cover page hereof (the "Underwriter"), and interest will be paid semiannually on each February 15 and August 15, commencing February 15, 2021. Interest will accrue on the Certificates on the basis of a 360-day year consisting of twelve 30-day months. The Certificates will be issued as book-entry-only securities pursuant to arrangements made with The Depository Trust Company, New York, New York. See "BOOK-ENTRY-ONLY SYSTEM."

Principal of the Certificates will be payable to the Registered Owners at maturity or prior redemption upon presentation and surrender of such Certificates at the principal corporate office of the paying agent/registrar (the "Paying Agent/Registrar"), initially UMB Bank, N.A., Austin, Texas. Interest on the Certificates will be payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "REGISTRATION, TRANSFER AND EXCHANGE – Record Date for Interest Payment" herein), or by such other customary banking arrangement, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Owner. If the date for the payment of the principal of or interest on a Certificate shall be a Saturday, Sunday, legal holiday, or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or a day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

The Certificates will mature on the dates, in the amounts and bear interest at the rates as set forth on inside cover page of this Official Statement.

Legality

The Certificates are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel. (See "LEGAL MATTERS" and Appendix C – "Form of Opinion of Bond Counsel").

Defeasance

The Ordinance provides that the City may defease the Certificates and discharge its obligation to the Registered Owners of any or all of the Certificates to pay the principal of and interest thereon in any manner now or hereafter permitted by law, including by depositing with the Registrar or with the Comptroller of the State of Texas either: (a) cash in an amount equal to the principal amount of and interest thereon to the date of maturity or redemption; or (b) pursuant to an escrow or trust agreement, cash and/or (i) direct noncallable obligations of United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, which, in the case of (i), (ii), or (iii), may be in book entry form, and the principal of and interest on which will, when due or redeemable at the option of the Registered Owner, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal of and interest thereon to the date of maturity or earlier redemption; provided, however, that if any of the Certificates are to be redeemed prior to their respective dates of maturity, provision shall be made for the giving of notice of redemption as provided in the Ordinance. Any surplus amount not required to accomplish such defeasance shall be returned to the City.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the Registered Owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments to the Ordinance

In the Ordinance, the City has reserved the right to amend such Ordinance without the consent of any Registered Owner of the Certificates in any manner not detrimental to the interests of the Registered Owners of the Certificates, including the curing of any ambiguity, defect or omission therein.

The Ordinance further provides that the Registered Owners of the Certificates aggregating in principal amount 51% of the outstanding Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance; provided, however, that without the consent of 100% of the Registered Owners in original principal amount of the then outstanding Certificates no amendment, addition, or rescission shall: (i) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Certificates; (ii) give any preference to any Certificate over any other Certificate, or (iii) reduce the aggregate principal amount of Certificates required to be held by Registered Owners or consent to any such amendment, addition or rescission. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

OWNERSHIP

The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Certificate is registered as the absolute owner of such Certificate for the purpose of making and receiving payment of principal and interest, and for all other purposes, whether or not such Certificate is overdue, and neither the City nor the Paying Agent/Registrar will be bound by any notice or knowledge to the contrary.

All payments made to the person deemed to be the owner of any Certificate in accordance with the Ordinance will be valid and effectual and will discharge the liability of the City and the Paying Agent/Registrar upon such Certificate to the extent of the sums paid.

OWNER'S REMEDIES

The Ordinance does not provide for the appointment of a trustee to represent the interests of the Registered Owners upon any failure of the City to perform in accordance with the terms of the Ordinance or upon any other condition and, in the event of any such failure to perform, the Registered Owners would be responsible for the initiation and cost of any legal action to enforce performance of the Ordinance. Furthermore, the Ordinance does not establish specific events of default with respect to the Certificates and, under State law, there is no right to the acceleration of maturity of the Certificates upon the failure of the City to observe any covenant under the Ordinance. A registered owner of Certificates could seek a judgment against the City if a default occurred in the payment of principal of or interest on any such Certificates; however, such judgment could not be satisfied by execution against any property of the City and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess, and collect an annual ad valorem tax sufficient to pay principal of and interest on the Certificates as it becomes due or perform other material terms and covenants contained in the Ordinance. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

The City is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or owners of an entity which has

sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully registered Certificates in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for the Certificates, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their

ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest, and redemption payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and redemption payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Securities depository). In that event, physical certificates will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to Registered Owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System and (ii) except as described above, notices that are to be given to Registered Owners under the Ordinance will be given only to DTC.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

UMB Bank, N.A., Austin, Texas has been named to serve as initial Paying Agent/Registrar for the Certificates. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the City shall be a legally qualified bank; a trust company organized under applicable law; financial institution; or other agency to act as Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each Registered Owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry-Only System should be discontinued, interest on the Certificates will be paid to the Registered Owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the Registered Owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the Registered Owner. Principal and redemption payments of the Certificates will be paid to the Registered Owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal or interest on the Certificates is a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the Registered Owner of the Certificates, principal, interest, and redemption payments on the Certificates will be made as described in "BOOK-ENTRY-ONLY SYSTEM" above.

Future Registration

In the event the book-entry-only system should be discontinued, printed Certificates will be delivered to the Registered Owners and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate will be delivered by the Paying Agent/Registrar in lieu of the Certificate being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new Registered Owner at the Registered Owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the Registered Owner or assignee of the Registered Owner after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be of like kind and in authorized denominations and for a like aggregate principal amount as the Certificate or Certificates surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in the settlement and transfer of the Certificates.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on any interest payment date is the last business day of the month immediately preceding such interest payment date, as specified in the Ordinance. In the event of a nonpayment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (the "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least 5 days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of

each Registered Owner of a Certificate appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Limitation on Transfer of Certificates

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption prior to maturity within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of the uncalled balance of a Certificate.

Replacement of Certificates

If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of and in substitution for a Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only upon (a) filing with the City and the Paying Agent/Registrar evidence satisfactory to them that such Certificate has been destroyed, stolen or lost and proof of the ownership thereof; (b) furnishing the City and the Paying Agent/Registrar with indemnity satisfactory to them; (c) paying all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other government charge that may be imposed; and (d) meeting any other reasonable requirements of the City and the Paying Agent/Registrar. The person requesting the authentication and delivery of a new Certificate must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

TAX INFORMATION

Ad Valorem Tax Law

The appraisal of property within the City is the responsibility of the San Patricio County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Texas Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a resident homestead to be based solely on the property's value as a resident homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed either the lesser of (1) the property's market value for the most recent tax year in which market value was determined by the Appraisal District or (2) the sum of (a) 10% of the property's appraised value for the preceding tax year, plus (b) the property's appraised value for the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the Texas Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the Texas Constitution ("Article VIII") and Texas law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Article VIII, Section 1-a of the Texas Constitution grants a $3,000 homestead exemption for all homesteads taxed by counties for farm-to-market roads and flood control purposes.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

Under Article VIII and State law, the city council of a City may take action to refrain from increasing the total ad valorem tax (except for increases attributable to certain improvements) on the residence homestead of the disabled persons or persons 65 years of age or older and their spouses above the amount of tax imposed in the later of (1) the year such residence qualified for an exemption based on the disability or age of the owner or (2) the year the City chose to establish the above referenced limitation. On the receipt of a petition signed by five percent of the registered voters of the City, the City shall call an election to determine by majority vote whether to establish such a tax limitation. Such freeze on ad valorem taxes is transferable to a different residence homestead and to a surviving spouse living in such homestead who is disabled or is at least 55 years of age. If improvements (other than maintenance or repairs) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

In addition to any other exemptions provided by the Texas Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

Texas law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse and children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000; Section 11.131 of the Texas Tax Code provides that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead A partially disabled veteran or certain surviving spouses of partially disabled veteran are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization; this exemption also applies to a residence homestead that was donated by a charitable organization at some costs to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried

since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm, ranch or wildlife management purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Tangible personal property not producing income, except for manufactured homes, is exempt from ad valorem taxation unless the governing body of the political subdivision elects to tax such property. In addition, an individual is entitled to an exemption from taxation of one passenger car or light truck used in the course of the individual's occupation or profession if it is also used for personal activities that do not produce income.

Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit". Section 11.253 of the Texas Tax Code defines "goods-in-transit" as personal property that: (i) is acquired in or imported into the state to be forwarded to another location in the state or outside the state; (ii) is detained at a location in the state in which the owner of the property does not have a direct or indirect ownership interest for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property; (iii) is transported to another location in the state or outside the state not later than 175 days after the date the person acquired the property in or imported the property into the state; and (iv) does not include oil, natural gas, petroleum products, aircraft, dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, dealer's heavy equipment inventory, or retail manufactured housing inventory. Section 11.253 of the Texas Tax Code permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport property exemptions or the goods-in-transit exemptions for items of personal property.

The City may create tax increment financing zones, under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone. Tax revenues collected on values above the "frozen" value must be deposited in a tax increment fund for the zone. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn exempts from taxation all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grant of public funds for economic development purposes; however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence

homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded. The City can make no representations or predictions concerning the impact such tax limitation would have on the City's tax rate, financial condition or ability to make debt service payments.

Effective Tax Rate And Rollback Tax Rate

Under current law, by each September 1 or as soon thereafter as practicable, the City Council is required to adopt a tax rate per $100 taxable value for the current year. The City Council is required to adopt the annual tax rate for the City before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the City. If the City Council does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Texas Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate." Effective 2005, a tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings have been held on the proposed tax rate following notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Texas Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

2019 Legislative Session – Legislation Affecting Ad Valorem Taxation

During the 86th Regular Legislative Session, the Texas Legislature passed Senate Bill 2 ("SB2"), a law that materially changes ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters, which may have an adverse impact on the City's operations and financial condition in the future. The Governor signed SB2 into law on June 12, 2019 and the majority of the provisions of SB2 will become effective January 1, 2020.

The following terms as used in this section have the meanings provided below:

> "adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.
>
> "de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that

produces and additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"effective tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"rollback tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) form the current year's values (adjusted) multiplied by 1.08, plus the debt service tax rate.

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approved tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (i) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (ii) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

For the 2019 tax year, the procedures in this paragraph apply. After the assessor submits the appraisal roll, a designated officer or employee of the City is required to calculate its "rollback tax rate" and "effective tax rate". A city must adopt a tax rate before the later of September 30 or the 60th date after receipt of the certified appraisal roll, and may not adopt a tax rate that exceeds the lower of its "rollback tax rate" or "effective tax rate" (as such terms are defined **below**) until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. The Property Tax Code provides that if the adopted tax rate exceeds the rollback tax rate, qualified votes of the city, by petition, may require that an election be held to determine whether or not to reduce the adopted tax rate to the rollback tax rate. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-effective tax rate for the current tax year or the tax rate adopted by the city for the preceding year.

Effective January 1, 2020, the terms rollback tax rate and effective tax rate will be replaced, respectively, with the terms "voter-approval tax rate" and "no-new-revenue tax rate". Beginning with the 2020 tax year, the procedures in this paragraph and the following paragraphs apply. A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State-Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent decennial census, if the adopted tax rate for any tax year exceeds the greater of: (i) the voter-approval tax rate; or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both: (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate; or (b) the city's voter-approval tax rate, than a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of: (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred; or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculation of the no-new-revenue tax rate and voter-approved tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported obligations, including the Certificates.

Reference is made to the Property Tax Code and Tex. S.B.2, 86th Leg. RS (2019) for definitive requirements for the levy and calculation of ad valorem taxes and the calculation of various defined tax rates.

Property Assessment And Tax Payment

Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

Penalties And Interest

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 15% attorney's collection fee is added to the total tax penalty and interest charge. Under certain

circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

City Application of Texas Property Tax Code

The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $6,000; disabled persons are also granted an exemption of $6,000.

The City does not tax non-business personal property.

The City does not tax Freeport property.

San Patricio County collects taxes for the City.

Municipal Sales Tax

The Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the estimated amount of the sales tax revenues to be generated in the current year. Subject to the approval of a majority of the voters in a local option election, state law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues.

State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%).

Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $1.50 per $100 taxable assessed valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 for all general obligation debt service, as calculated at the time of issuance.

RETIREMENT PLAN

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System, an agent multi-employer public employee retirement system. For a discussion of the Retirement Plan, see Appendix D "Audited Financial Statements for the Fiscal Year Ended September 30, 2018."

INVESTMENT POLICIES

Accounting Principles Generally Accepted in the United States

The City policy is to adhere to accounting principles generally accepted in the United States (see Appendix D "Audited Financial Statements for the Fiscal Year Ended September 30, 2018").

Legal Investments

Under State law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) (i) that are issued by or through an institution that has its main office or a branch office in the State, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or, (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (8) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (12) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the City's investment officers shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from City Council.

Additional Provisions

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a written instrument by rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and recording any changes made to either its investment policy or investment strategy; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding

bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Current Investments

As of September 30, 2018, the City's investment portfolio was invested in the following categories. As of such date, the market value of such investments was approximately 100% of their book value.

Type of Investment	Amount
Local Government Investment Pool	$12,332.00
Certificates of Deposit	0.00
Total	$12,332.00

RATINGS

The City has made application to Standard & Poor's Rating Services, a Standard and Poor's Financial Services LLC business, ("S&P") based upon the Municipal Bond Insurance Policy to be issue by Build America Mutual Assurance Company. The Certificates have also been assigned an insured rating of "AA" and an underlying rating of "A-" by S&P. An explanation of the significance of such ratings may be obtained from S&P. The rating reflects only the view of S&P and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates. Neither the Underwriter nor the City has undertaken any responsibility to bring to the attention of the Registered Owners of the Certificates any proposed revision or withdrawal of the rating of the Certificates or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Certificates. BAM's financial strength is rated "AA/Stable" by S&P.

PENDING LITIGATION

There is no material litigation currently pending against the City.

LEGAL MATTERS

The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the approving legal opinions of the Attorney General of the State of Texas to the effect that the Certificates are valid and binding obligations of the City, and based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel to the effect that (i) the Certificates issued in compliance with the provisions of the Ordinance are valid and legally binding obligations of the City and (ii) the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. See "TAX MATTERS" herein. Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Certificates, and the opinion of Bond Counsel will make no statement as to such matters, or any other information that may have been relied on by anyone in making the decision to purchase the Certificates. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates. The applicable legal opinion will be printed on or attached to the definitive Certificates.

Bond Counsel has reviewed the statements and information appearing in the Official Statement under the captions "THE CERTIFICATES" (except the subcaption "Sources and Uses of Funds"), "GENERAL INFORMATION REGARDING THE CERTIFICATES," "REGISTRATION, TRANSFER AND EXCHANGE," "TAX INFORMATION − Tax Rate Limitations," "LEGAL MATTERS," "TAX MATTERS," "LEGAL INVESTMENTS IN TEXAS," "REGISTRATION AND QUALIFICATION OF ISSUE FOR SALE" and "CONTINUING DISCLOSURE OF INFORMATION" (except the subcaption "Compliance With Prior Undertakings") to determine that the information relating to the Certificates and the Ordinance contained therein fairly summarizes the procedures and documents referred to therein and is correct as to matters of law. Bond Counsel has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the

affairs of the City for the purpose of passing upon the accuracy, completeness, or fairness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy, completeness, or fairness of any of the information contained herein.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Certificates is less than the amount to be paid at maturity of such Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Certificates), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Registered Owner thereof, is treated as interest on the Certificates which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Certificates is the first price at which a substantial amount of such maturity of the Certificate is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Certificates accrues daily over the term to maturity of such Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Certificates to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Certificates. Registered Owners of the Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of Registered Owners who do not purchase such Certificates in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Certificates purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Certificates") will be treated as having amortizable certificate premium. No deduction is allowable for the amortizable certificate premium in the case of Certificates, like the Premium Certificates, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Registered Owner's basis in a Premium Certificate, will be reduced by the amount of amortizable bond premium properly allocable to such Registered Owner. Registered Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable certificate premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Certificates. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Certificates being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Certificates. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Certificates may adversely affect the value of, or the tax status of interest on, the Certificates. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Certificates is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Certificates may otherwise affect a Registered Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Registered Owner or the Registered Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Certificates to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Registered Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Certificates ends with the issuance of the Certificates, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Registered Owners regarding the tax-exempt status of the Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the City and their appointed counsel, including the Registered Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt Certificates is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Certificates for audit, or the course or result of such audit, or an audit of Certificates presenting similar tax issues may affect the market price for, or the marketability of, the Certificates, and may cause the City or the Registered Owners to incur significant expense.

LEGAL INVESTMENTS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Certificates (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Certificates may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such Certificates are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

The City has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

REGISTRATION AND QUALIFICATION OF ISSUE FOR SALE

No registration statement relating to the Certificates has been filed with the United States Securities and Exchange Commission under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Certificates under the securities laws of any other jurisdiction in which the Certificates may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration and qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the Registered Owners and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included this Official Statement in Appendix A - Financial Information Regarding the City of Mathis, Texas (Tables 1-5) and in Appendix D. The City will update and provide this information within six months after the end of each fiscal year.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of March in each year following the end of its fiscal year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Material Event Notices

The City will also provide timely notices of certain events to the MSRB (not in excess of ten (10) days after the occurrence of the event). The City will provide notice of any of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of Registered Owners of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. (Neither the Certificates nor the Ordinance make any provision for debt service reserves, liquidity enhancement, or credit enhancement). In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal

securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

Limitations and Amendments

The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered Owners and beneficial owners of the Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

This continuing disclosure agreement may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City amends its agreement, it must include with the next financial information and opening data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of information and data provided. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates.

Compliance with Prior Undertakings

The City has complied in all material respects with its continuing disclosure agreements pursuant to the Rule during the past 5 years.

OTHER INFORMATION

Financial Advisor

In its role as Financial Advisor, Government Capital Securities Corporation has relied on the City for certain information concerning the City and the Certificates. The fee of the Financial Advisor for services with respect to the Certificates is contingent upon the issuance and sale of the Certificates. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Audited Financial Statements

Ernest R. Garza and Company, P.C., the City's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Ernest R. Garza and Company, P.C., relating to City's financial statements for the fiscal year ended September 30, 2018 is included in this Official Statement in Appendix D; however, Ernest R. Garza and Company, P.C. has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the City, including without limitation any of the information contained in this Official Statement.

Underwriting

Frost Bank, the Underwriter, has agreed to purchase the Certificates from the City for $4,118,028.55 (being the principal amount of the Certificates, plus a net premium of $592,234.55, less an Underwriter's discount of $34,206.00).

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information set forth in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Forward-Looking Statements

The statements contained in this Official Statement and in any other information provided by the City that are not purely historical are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligations to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Concluding Statement

The information set forth herein has been obtained from the City's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

The City has reviewed and approved the Official Statement and said instrument has been authorized for use and distribution by the Underwriter for the purpose of offering the Certificates.

/s/ Ciri Villarrel
Mayor, City of Mathis, Texas

ATTEST:

/s/ Mary Acosta Gonzales
Secretary, City of Mathis, Texas

APPENDIX A

FINANCIAL INFORMATION REGARDING
THE
CITY OF MATHIS, TEXAS

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FINANCIAL INFORMATION REGARDING THE CITY OF MATHIS

ASSESSED VALUATION — TABLE 1

2019 Total Value of Taxable Property		$139,057,829
Less Exemptions:		
Local, Optional Over-65 and/or Disabled Homestead Exemptions	$ 3,490,043	
Disabled and Deceased Veterans' Exemptions	570,617	
Productivity Value Loss	4,348,538	
Homestead 10% Cap Adjustment	2,824,721	
Abatement	1,638,526	
Freeport	-	
Other	13,635,754	26,508,199
2019 Net Taxable Assessed Valuation (100% of Actual)[(a)]		$112,549,630

[(a)] *See "TAX INFORMATION - City Application of the Property Tax Code" in the Official Statement for a description of the City's taxation procedures.*

Source: San Patricio County Appraisal District

PRINCIPAL TAXPAYERS — TABLE 2

Name	Type of Business	2019 Net Taxable Assessed Valuation	% of Total 2019 Assessed Valuation*
Mathis Deluxe Hospitality LLC	Hotel/Motel	$ 3,767,118	3.35%
AEP Texas Central Company	Electric Utility/Power Plant	2,145,400	1.91%
JPS Completion Fluids Inc.	Manufacturing	1,927,277	1.71%
Union Pacific Railroad Company	Railroad	1,498,610	1.33%
First Mathis Capital Funding LLC	Nursing Homes	1,422,890	1.26%
Kesar Maa LLC	Restaurant	1,065,151	0.95%
Mesquite Kitchens LLC	Restaurant	1,046,256	0.93%
Kabani Holding Company Inc.	Gas Station	1,011,274	0.90%
Allways Auto Group LTD.	Car Repairs	995,788	0.88%
Time Warner Cable Texas	Cable/TV/Internet Utility	978,110	0.87%
Total		$15,857,874	14.09%

* Based on 2019 Net Taxable Assessed Valuation of $112,549,630.

Source: San Patricio County Appraisal District

PROPERTY TAX RATES AND COLLECTIONS[(a)] **TABLE 3**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Collection % Current	Collection % Total[(b)]	Fiscal Year Ended
2015	$118,193,481	$0.9600	91.53%	91.53%	9-30-16
2016	119,620,036	1.0117	89.19%	89.19%	9-30-17
2017	116,200,919	1.0117	81.75%	81.75%	9-30-18
2018	111,352,554	1.0581	82.32%	82.32%	9-30-19
2019	112,549,630	1.0581	In progress		9-30-20

[(a)] *See "TAX INFORMATION - The City Application of the Property Tax Code" in the Official Statement for a description of the City's taxation procedures.*

[(b)] *Excludes interest and penalties.*

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the San Patricio County Appraisal District, and the City.

Note: Assessed Valuations may change during the year due to various supplements and protests, and valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

TAX RATE DISTRIBUTION **TABLE 4**

	2019-20	2018-19	2017-18	2016-17	2015-16
Maintenance & Operations	$0.8700	$0.7311	$0.6767	$0.6944	$0.6277
I & S Fund	0.1881	0.3270	0.3350	0.3173	0.3323
TOTAL	$1.0581	$1.0581	$1.0117	$1.0117	$0.9600

Source: City

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PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS **TABLE 5**

Fiscal Year 30-Sept	Existing Debt Service	The Certificates		Total Debt Service
		Principal	Interest	
2020	$ 51,028.13	$ 0.00	$ 0.00	$51,028.13
2021	51,350.00	0.00	212,413.33	263,763.33
2022	51,628.13	80,000.00	140,800.00	272,428.13
2023	50,884.38	85,000.00	137,500.00	273,384.38
2024	51,118.75	85,000.00	134,100.00	270,218.75
2025	51,309.38	150,000.00	129,400.00	330,709.38
2026	51,456.25	155,000.00	123,300.00	329,756.25
2027	51,559.38	165,000.00	116,900.00	333,459.38
2028	51,618.75	170,000.00	110,200.00	331,818.75
2029	51,634.38	175,000.00	103,300.00	329,934.38
2030	51,606.25	185,000.00	96,100.00	332,706.25
2031	51,534.38	190,000.00	88,600.00	330,134.38
2032	51,418.75	200,000.00	80,800.00	332,218.75
2033	51,259.38	205,000.00	72,700.00	328,959.38
2034	51,056.25	215,000.00	64,300.00	330,356.25
2035	51,787.50	225,000.00	55,500.00	332,287.50
2036	51,453.13	235,000.00	46,300.00	332,753.13
2037	51,075.00	245,000.00	36,700.00	332,775.00
2038	51,631.25	255,000.00	26,700.00	333,331.25
2039	51,121.88	265,000.00	16,300.00	332,421.88
2040	51,546.88	275,000.00	5,500.00	332,046.88
2041	51,884.38			51,884.38
2042	51,156.25			51,156.25
2043	51,362.50			51,362.50
2044	51,481.25			51,481.25
2045	51,512.50			51,512.50
2046	51,456.25			51,456.25
2047	56,203.13			56,203.13
TOTAL	**$1,444,134.44**	**$3,560,000.00**	**$1,797,413.33**	**$6,801,547.77**

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APPENDIX B

GENERAL INFORMATION REGARDING
THE CITY OF MATHIS, TEXAS

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General

The City of Mathis is located on farm road 359 along Interstate Highway 37 in western San Patricio County. According to the 2010 U.S. Census, the City's 2010 population was 4,936. The area is a winter home for hundreds of Winter Texans from all parts of the state and country as well as Canada. Corpus Christi state park, comprising of 350 acres, nestles in a cove protected from the prevailing south-easterly winds by high limestone cliffs. The lake's 200 miles of shoreline provides areas for numerous camps and parks containing campsites, boat ramps, fishing piers, and RV and mobile home areas.

Education

The City is served by the Mathis Independent School District (the "District"). The average daily attendance in the District is 2040 students. The District's campuses include: Mathis High School, Mathis High School for International Studies, Mathis Middle School, Mathis Intermediate, and Mathis Elementary School.

San Patricio County

San Patricio County was founded in 1836. The 2010 U.S. Census shows 64,804 residents living in San Patricio County. San Patricio County encompasses about 708 square miles and is part of the Corpus Christi, Texas Metropolitan Statistical Area. The County seat is located in the City of Sinton, Texas. The City of Mathis is located in the northwesternmost part of San Patricio County.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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February 18, 2020

City of Mathis, Texas
Certificates of Obligation, Series 2020

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Mathis, Texas (the "City") in connection with the issuance of $_____ aggregate principal amount of Obligations designated as "City of Mathis, Texas Certificates of Obligation, Series 2020" (the "Obligations"). The Obligations are authorized by an ordinance adopted by the City Council of the City (the "City Council") on January 27, 2020 (the "Ordinance"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

In such connection, we have reviewed the Ordinance, the tax certificate of the City dated the date hereof (the "Tax Certificate"), certificates of the City, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Obligations on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Obligations on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations, the Ordinance and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to

any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Obligations and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Obligations constitute the valid and binding obligations of the City.

2. The City Council has power and is obligated to levy an annual ad valorem tax, within the limits prescribed by law, upon taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Obligations.

3. The Obligations are also secured by a limited (in an amount not to exceed $1,000) subordinate pledge of revenues of the waterworks and sewer system of the City.

4. Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Obligations is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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CITY OF MATHIS, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Authorized Contact:
Ernest R. Garza, C.P.A.
361-241-2452 Office
800-241-1272 Office

CITY OF MATHIS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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ERNEST R. GARZA
AND COMPANY, P.C.
Certified Public Accountants
10201 Leopard #A
Corpus Christi, Texas 78410
Bus. (361) 241-2452
Fax No. (361) 242-1525
Toll Free 1-800-241-1272

MEMBER
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants

6102 Ayers St. #106
Corpus Christi, Texas 78415
Bus. (361) 723-0685
Fax (361) 723-0689

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, 2018 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mathis Economic Development Corporation whose assets were $590,702 and revenues were $268,676. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mathis Economic Development Corporation, is based on the reports of the other auditors. 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Mathis, Texas, as of September 30, 2018, 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.

Emphasis of Matter

As discussed in Note T to the financial statements, the City adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis on pages 3-9 and the Other Post-employment benefits Schedule of Funding Progress, Other Post-Employment Benefits Schedule of Annual Required Contributions, Schedule of Changes in the Net Pension Liabilities and Related Ratios and budgetary comparison information* on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

September 30, 2019

CITY OF MATHIS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

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, 2018. 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 $4,119,667 that were $30,256 less than the $4,149,924 generated in tax and other revenues/transfers of $163,778 for a net of $194,034 for governmental programs (Exhibit C-3). This compares to last year (2017) when expenditures $4,130,748 were $159,906 more than revenues $3,970,842 and transfers of $174,511 for a net $14,606.

- In the City's business-type activities, operational revenues decreased from $1,603,467 in 2017 to $1,534,829 and expenses increased from $1,425,154 to $1,438,239 for a net operating income of $96,589 (compared to $178,313 in 2017), after transfer out of $(251,771) in 2018 compared to transfers out of $(174,511) in 2017, a net decrease of $(102,791) in net position for 2018 compared to a decrease of $(4,473) in 2017.

- The General Fund ended the year with a fund balance of $221,506 up from 2017 of $99,007.

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 $13,599,314 to $13,857,141. 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 $159,572 at September 30, 2018, governmental activities was $1,245,022. 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	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	1,604,691	1,596,197	546,190	563,457	2,150,881	1,572,971
Restricted Assets	515,338	240,647	231,264	80,216	746,602	429,153
Capital Assets	5,884,584	5,750,165	7,197,527	7,336,249	13,082,111	12,926,625
Total Assets:	8,004,613	7,587,009	7,974,981	7,979,922	15,979,594	15,566,931
Def. Resource Outflows 68	52,561	156,460	17,520	52,154	70,081	208,614
Def. Resource Outflows 75	8,441	-	2,814	-	11,255	-
Long-Term Liabilities	330,593	336,185	831,000	846,000	1,161,593	1,670,489
Restricted Liabilities	-	-	126,213	-	126,213	-
Other Liabilities	611,160	737,143	113,408	189,624	724,568	667,982
Total Liabilities	941,753	1,073,328	1,070,621	1,035,624	2,012,374	2,108,952
Def. Resource Inflows 68	143,561	50,459	47,854	16,820	191,415	67,279
Def. Resource Inflows 75	-	-	-	-	-	-
Invested in Capital Assets	5,299,654	5,164,979	6,411,012	6,530,670	11,710,666	10,920,840
Restricted	435,625	364,089	19,278	14,827	454,903	365,823
Unrestricted	1,245,022	1,090,614	446,550	434,135	1,691,572	1,566,246
Total Net Position	6,980,301	6,619,682	6,876,840	6,979,632	13,857,141	13,599,314

Table II
CITY OF MATHIS, TEXAS
CHANGES IN NET POSITION

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	$ 1,053,173	$ 1,037,330	$ 1,534,829	$ 1,603,467	$ 2,588,002	$ 2,640,797
Operating Grants and Contributions	77,903	68,402	-	-	77,903	68,402
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Maintenance and Operations Taxes	1,893,155	1,837,651	-	-	1,893,155	1,837,651
Sales Taxes	888,593	901,540	-	-	888,593	901,540
Franchise Taxes	193,672	188,103	-	-	193,672	188,103
Other Taxes	-	-	-	-	-	-
License and Permits	38,687	31,931	-	-	38,687	31,931
Unrestricted Investment Earnings	749	569	-	1,154	749	1,723
Miscellaneous	739,771	576,872	-	-	739,771	576,872
Total Revenues	4,885,703	4,642,398	1,534,829	1,604,621	6,420,532	6,247,019
Expenses:						
General Administration	492,094	544,106	-	-	492,094	544,106
Financial Administration	-	-	-	-	-	-
Public Facilities	2,868,248	938,680	-	-	2,868,248	938,680
Public Safety	1,018,175	2,465,347	-	-	1,018,175	2,465,347
Public Transportation	-	-	-	-	-	-
Culture and Recreation	95,809	106,839	-	-	95,809	106,839
Interest and Fiscal Charges	141,643	11,060	39,182	9,429	180,825	20,489
Water, Garbage, and Sewer	-	-	1,438,239	1,425,153	1,438,239	1,425,153
Total Expenses	4,615,969	4,066,032	1,477,421	1,434,582	6,093,390	5,500,614
Increase (Decrease) in Net Position before transfers and special items	269,734	576,366	57,408	170,039	327,142	746,405
Transfers	163,778	174,511	(251,771)	(174,511)	(87,993)	-
Increase (Decrease) in Net Position	433,512	750,877	(194,363)	(4,472)	239,149	746,405
Prior period adjustment	(72,893)	-	91,571	-	18,678	-
Net Position at Beginning	6,619,682	5,868,805	6,979,632	6,984,104	13,599,314	12,852,909
Net Position at Ending	$ 6,980,301	$ 6,619,682	$ 6,876,840	$ 6,979,632	13,857,141	13,599,314

The assessed valuation before exemptions at January 1, 2018 totaled $115.2 million. The current tax rate is $1.011695 per $100 valuation with a current tax levy of $1,169,534. The current tax rate finances debt service and the city's operations.

Through the month of September 2018, the Tax Assessor/Collector's office reports $1,101,425 of the levies had been collected. Current tax collections for the operating and interest and sinking fund was $979,027 or 83.97% of the amount levied, including delinquent collections of $122,398 or 10.50%. The total overall collection rate for current and delinquent collections to the current levy was 94.47%. Penalties of $51,132 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 at $1.011695. This was an increase due to the increased valuations of the City.

The cost of all governmental activities this year was $4.615 million compared to $4.38 million last year, as shown in the Statement of Activities on pages 14 and 15. The business type activity expenses were $1,438,239, down from the prior year of $1,526,104.

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 $657,131. (Exhibit C-1, C-3).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the City had $11,995,375 invested in a broad range of capital assets, including facilities and infrastructure in the governmental activities. Proprietary funds had $11,590,480 invested in fixed assets at year-end as in the prior year.

This year's 2017/2018 continued finishing major additions included:

Fixed asset additions on various projects:	-
Governmental	486,552
Utility	17,506
	504,058

Debt

At year-end, the City had $1,639,956 in bonds, notes, leases and compensated absences outstanding versus $1,733,543 last year, the EDC had $175,000 of these bonds. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

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

Plan Description

The City of Mathis, Texas, participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. All eligible employees of the city are required to participate in TMRS.

Benefits Provided

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

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

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.

Employees covered by benefit terms.

At the December 31, 2016 and 2017 valuation and measurement date, the following employees were covered by the benefit terms:

	2016	2017
Inactive employees or beneficiaries currently receiving benefits	26	25
Inactive employees entitled to but not yet receiving benefits	98	95
Active employees	56	55
Total	180	175

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Mathis, Texas, were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Mathis, Texas, were 4.46% and 4.80% in calendar years 2017 and 2018, respectively. The city's contributions to TMRS for the year ended September 30, 2017, were $84,569, and were equal to the required contributions.

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 2019 budget, tax rates. One of those factors is the economy.

These indicators were taken into account when adopting the General Fund budget for 2019. Amounts available for appropriation in the General Fund budget are approximately $3,329,056, an overall consistent budget over the final 2018 budget of $3,370,360. Property taxes (benefiting from the 2018/2019 increases in assessed valuations). Budgeted expenditures are expected to rise nearly 2 percent in 2019. 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 2018/2019.

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 **EXHIBIT A-1**

STATEMENT OF NET POSITION

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Primary Government			Component Unit Non-Major Component
	Governmental Activities	Business Type Activities	Total	Unit
ASSETS:				
Cash and Cash Equivalents	$ 398,187	111,015	509,202	12,234
Receivables (net of allowance)	879,322	383,934	1,263,255	150,512
Prepaid Items	-	3,515	3,515	-
Due From Other Funds	(0)	47,726	47,726	-
Due From Others	327,183	-	327,183	41,388
Inventory	-	-	-	-
Restricted Assets:				
Temporarily Restricted:				
Temporarily Restricted Assets	-	59,485	59,485	-
Net Pension Asset	515,338	171,779	687,117	-
Capital Assets:				
Land	322,575	12,412	334,987	-
Utility System, net	4,534,175	7,000,015	11,534,191	-
Machinery and Equipment, net	1,027,834	185,100	1,212,935	386,568
TOTAL ASSETS:	$ 8,004,614	7,974,981	15,979,595	590,702
Deferred Resource Outflows- Gasb 68	$ 52,561	17,520	70,081	-
Deferred Resource Outflows- Gasb 75	8,441	2,814	11,254	-
LIABILITIES:				
Accounts Payable & Other Current Liab.	$ 204,785	63,479	268,264	21,429
Due to Other Funds	24,851	22,876	47,727	-
Net Pension Liability	97,908	32,636	130,544	-
Accrued Liabilities	29,279	12,053	41,332	-
Current Bonds/Loans/Lease Payable	184,338	15,000	199,338	175,000
Payable from Restricted Assets	-	93,577	93,577	-
Bonds/Loans Payable/Other - Long Term	400,593	831,000	1,231,593	8,050
TOTAL LIABILITIES	$ 941,753	1,070,621	2,012,374	204,479
Deferred Resource Inflows Gasb 68	$ 143,561	47,854	191,415	-
Deferred Resource Inflows - Gasb 75	-	-	-	-
NET POSITION:				
Invested in Capital Assets	$ 5,299,654	6,411,012	11,710,666	203,518
Restricted for Revenue Bond Retirement	-	-	-	-
Commitments	-	-	-	-
Restricted for Capital Project Funds	-	-	-	-
Restricted for Special Revenue Funds	276,052	19,278	295,330	-
Restricted for Debt Service Funds	159,572	-	159,572	-
Unrestricted Net Position	1,245,022	446,550	1,691,572	182,705
TOTAL NET POSITION	$ 6,980,301	6,876,841	13,857,141	386,223

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, 2018

Primary Government:		Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
10 General Government	$	492,094	579,605	-
21 Public Safety		2,868,248	-	-
31 Public Works		1,018,175	473,567	-
50 Culture and Recreation		95,809	-	-
65 Economic Development and Assistance		-	-	-
73 Bond Interest		141,642	-	-
TOTAL PRIMARY GOVERNMENT	$	4,615,968	1,053,172	-
BUSINESS-TYPE ACTIVITIES:				
701 Utility Fund	$	1,438,239	1,534,829	-
Total Business Type Activities:	$	1,438,239	1,534,829	-

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- Note T
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
Governmental Activities	Business-type Activities	Total	Non-major Component Unit
$ 87,511	-	87,511	-
(2,868,248)	-	(2,868,248)	-
(544,608)	-	(544,608)	-
(95,809)	-	(95,809)	-
-	-	-	381,836
(141,642)	-	(141,642)	-
$ (3,562,796)	-	(3,562,796)	381,836
-	96,589	96,589	-
-	96,589	96,589	-
			-
			-
$ 1,893,155	-	1,893,155	-
888,593	-	888,593	245,618
193,672	-	193,672	-
-	-	-	-
38,687	-	38,687	-
77,903	-	77,903	-
739,771	(39,181)	700,590	2,308
749	-	749	20,750
163,778	(251,771)	(87,993)	-
$ 3,996,308	(290,952)	3,705,356	268,676
433,512	(194,363)	239,149	(113,160)
6,619,682	6,979,632	13,599,314	499,383
(72,893)	91,571	18,678	-
$ 6,980,301	6,876,841	13,857,141	386,223

CITY OF MATHIS, TEXAS
BALANCE SHEET
GOVERNMENT FUNDS
SEPTEMBER 30, 2018

		General	Capital Projects Fund	Debt Service Fund	Grant Fund
ASSETS					
Cash and Texpool Accounts	$	217,641	-	15,437	-
Receivables and Allowances:				-	
Miscellaneous Receivables		53,522	-	-	-
Due From Other Governmental Agencies		242,056	-	-	-
Garbage		143,544	-	-	-
Ad Valorem Taxes		624,801	-	293,714	-
Allowance for Uncollectible Taxes		(124,960)	-	(57,777)	-
Due From Other Funds		-	-	144,135	-
Prepaid Items		-	-	-	-
TOTAL ASSETS	$	1,156,603	-	395,510	-
LIABILITIES AND FUND BALANCE					
Accounts Payable	$	141,345	-	-	-
Other Payables		29,279	-	-	-
Due to Other Funds		264,633	-	-	-
TOTAL LIABILITES	$	435,256	-	-	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable Tax Revenues	$	499,841	-	235,937	-
TOTAL DEFERRED INFLOWS OF RESOURCES	$	499,841	-	235,937	-
FUND BALANCE					
Restricted for Special Revenue	$	-	-	-	-
Restricted for Debt Service		-	-	159,572	-
Restricted for Capital Projects		-	-	-	-
Unassigned		221,506	-	-	-
TOTAL FUND BALANCE	$	221,506	-	159,572	-
TOTAL LIABILITIES, DEFERRED INLFOWS OF RESOURCES AND FUND BALANCE	$	1,156,603	-	395,510	-

EXHIBIT C-1

Combination Tax and Surplus Fund	Other Governmental Funds	Total Governmental Funds
-	165,108	398,187
		-
-	-	53,522
-	31,606	273,662
-	-	143,544
-	-	918,515
-	-	(182,737)
-	132,715	276,850
-	-	-
-	329,430	1,881,542
-	16,309	157,653
-	-	29,279
-	37,069	301,702
-	53,378	488,633
-	-	735,778
-	-	735,778
-	276,052	276,052
-	-	159,572
-	-	-
-	-	221,506
-	276,052	657,131
-	329,430	1,881,542

CITY OF MATHIS, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Exhibit C-2

Total Fund Balances - Governmental Funds	$ 657,131
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 were: 11,508,823 and the accumulated depreciation was: (5,758,659) 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 -- (292,971) .	4,897,735
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 2018 capital outlays and debt principal payments is to increase (decrease) net position.	735,552
Included in the noncurrent assets/(liabilities) is the recognition of the City's net pension asset/(liability) required by GASB 68 in the amount of 515,338 , and a Deferred Resource inflow in the amount of (128,727) , and a deferred resource outflow in the amount of $ 51,760 This resulted in an increase/(decrease) in net position by $ 438,371 .	$ 348,903
Included in the noncurrent assets(liabilities) is the recognition of the City's net OPEB asset/(liability) required by GASB 75 in the amount of $ (97,908) , a deferred resource inflow in the amount of $ - , and a deferred outflow in the amount of $ 8,440 . This resulted in an increase /(decrease) in the net position by $ (89,468) .	-
The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(352,132)
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 postion.	693,112
Net position of Governmental Activities	$ 6,980,301

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, 2018

		General	Capital Projects Fund	Debt Service Fund	Waste Grant Fund
REVENUES					
Taxes	$	1,736,288	-	389,184	-
Licenses and Permits		38,687	-	-	-
Intergovernmental		2,477	-	-	-
Charges for Services		473,567	-	-	-
Fines and Penalties		-	-	-	-
Interest		-	-	134	-
Other		975,257	-	19,320	-
TOTAL REVENUES	$	3,226,276	-	408,637	-
EXPENDITURES					
Current					
General Administration	$	760,312	-	9,890	-
Cutural and Recreational, Tourism		94,487	-	-	-
Public Safety		1,748,505	-	-	-
Public Works		440,088	-	-	-
Sanitation		327,832	-	-	-
Debt Service					
Principal Retirement		-	-	249,000	-
Interest and Fiscal Charges		-	-	141,642	-
Capital Outlay		-	-	-	-
TOTAL EXPENDITURES	$	3,371,223	-	400,532	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$	(144,947)	-	8,105	-
OTHER FINANCING SOURCES (USES)					
Capital - related Debt Issued	$	-	-	-	-
Transfers from Other Funds		277,446	-	-	-
Transfer to Other Funds		(10,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	$	267,446	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	$	122,499	-	8,105	-
FUND BALANCE, beginning of year	$	99,007	-	151,467	-
Prior Period Adjustment		-	-	-	-
FUND BALANCE, end of year	$	221,506	-	159,572	-

EXHIBIT C-3

Combination Tax and Surplus Fund	Other Governmental Funds	Total Governmental Funds
-	114,171	2,239,642
-	-	38,687
-	75,426	77,903
-	-	473,567
-	-	-
-	615	749
-	324,798	1,319,375
-	515,011	4,149,924
-	-	770,202
-	-	94,487
-	347,913	2,096,417
-	-	440,088
-	-	327,832
-	-	249,000
-	-	141,642
-	-	-
-	347,913	4,119,667
-	167,098	30,256
-	-	-
-	-	277,446
-	(103,668)	(113,668)
-	(103,668)	163,778
-	63,430	194,034
-	212,622	463,096
-	-	-
-	276,052	657,131

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, 2018

Exhibit C-4

Total Net Change in Fund Balances - Governmental Funds	$	194,034
Current year capital outlays and long-term debt principal payments are expenditures in the fund fiancial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2018 capital outlays and debt principal payments is to increase (decrease) net position.		499,719
The implementation of the requirements required that certain expenditures de de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/2017 caused the change in the ending net position to increase in the amount of $ 52,561 . Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totali (47,784) . The City's reported TMRS net pension expense had to be recorded. The net pension expense increase / (decreased) the change in net position by $ 30,813 . The result of these changes is to increase / (decrease) the change in net position by $ 35,590		27,456
The implementation of GASB 75 the requirements required that certain expenditures be de-expended and recor deferred resource outflows. These contributions made after the measurement date of 12/31/2017 caused the change in the ending net position to increase in the am 2,766 . Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totali (2,009) . The City's reported TMRS net OPEB pension expense had to be recorded. The net OPEB pension expense increase / (decreased) the change in net position by (8,891) . The result of these changes is to increase / (decrease) the change in net position by $ (8,134)		-
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.		(352,132)
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 as to increase (decrease) net position.		64,435
Change in Net Position of Governmental Activities	$	433,512

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, 2018 WITH COMPARATIVE ACTUAL AMOUNTS FOR 2017

Exhibit C-5

	2018				2017
	BUDGETED AMOUNTS			Variance with Final Budget	
	Original	Final	Actual	Variance	Actual
REVENUES					
Taxes					
Property Taxes	776,410	776,410	768,193	(8,217)	790,785
General Sales and Use Taxes	783,835	783,835	774,423	(9,412)	796,044
Franchise Tax	185,891	185,891	193,672	7,781	188,103
Other Taxes	-	-	-	-	-
License and Permits	24,972	24,972	38,687	13,715	31,931
Intergovernmental Revenues	-	-	2,477	2,477	-
Charges for Services	493,753	493,753	473,567	(20,186)	579,665
Investment Earnings	537	537	1,161	624	891
Fines and Forfeitures	-	-	-	-	-
Other Revenues	821,212	821,212	974,096	152,884	768,304
Total Revenues	**3,086,610**	**3,086,610**	**3,226,276**	**139,666**	**3,155,723**
EXPENDITURES					
General Administration	-	-	-	-	-
Municipal Court	112,146	112,146	105,738	6,408	112,311
Administration	625,945	625,945	654,573	(28,628)	677,369
Legislative	-	-	-	-	-
Public Safety					
Police	1,015,494	1,015,494	859,747	155,747	851,034
Fire	57,762	57,762	58,638	(876)	56,947
Emerg. Med. Service	672,436	672,436	781,803	(109,367)	727,760
Animal Control	70,371	70,371	48,317	22,054	54,478
Code Enforcement	-	-	-	-	-
Public Works					
Streets Department	382,522	382,522	440,088	(57,566)	489,665
Sanitation	358,560	358,560	327,832	30,728	365,836
Culture and Recreation					
Library	-	-	-	-	22,000
Parks	93,981	93,981	94,487	(506)	83,921
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	**3,389,217**	**3,389,217**	**3,371,223**	**17,994**	**3,441,321**
Excess (Deficiency) of Revenues Over (Under) Expenditures	(302,607)	(302,607)	(144,947)	157,660	(285,598)
OTHER FINANCING SOURCES (USES):					
Capital related Debt Issued	-	-	-	-	-
Transfers In	283,750	283,750	277,446	(6,304)	301,938
Transfers (Out)	-	-	(10,000)	(10,000)	-
Total Other Financing Sources (Uses)	283,750	283,750	267,446	(16,304)	301,938
Net Change in Fund Balance	(18,857)	(18,857)	122,499	141,356	16,340
Fund Balance - October 1 (Beginning)	99,007	99,007	99,007	-	82,667
Prior period adjustment	-	-	-	-	-
Fund Balance - September 30 (Ending)	**80,150**	**80,150**	**221,506**	**141,356**	**99,007**

The accompanying notes are an integral part of this statement.

CITY OF MATHIS, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

EXHIBIT D-1

	Business-Type Activities Enterprise Fund
	Utility Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	111,015
Receivables and Allowances	
Accounts	
Water and Wastewater Billings	383,934
Assessments	-
Other	-
Allowance for Uncollectible Accounts	-
Due from Other Funds	47,726
Bond Issue Cost (Net)	-
Prepaid Items	3,515
Inventory	-
Total Current Assets	546,190
Non-Current Assets:	
Restricted Assets:	
Cash and Cash Equivalents	
Meter Deposits	40,206
Revenue Bond Reserve	19,278
Total - Non-Current Assets	59,485
Net Pension Asset (liability)	171,779
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	185,100
Total Capital Assets	11,590,481
Less Accumulated Depreciation	(4,392,953)
Net Capital Assets	7,197,527
TOTAL ASSETS	7,974,981
Deferred Resource Outflows 68	17,520
Deferred Resource Outflows 75	2,814

CITY OF MATHIS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

EXHIBIT D-1
continued

	Business-Type Activities Enterprise Fund
	Utility Fund
LIABILITIES	
Current Liabilities	
Accounts Payable	63,479
Accrued Liabilities	-
Compensated Absences	12,053
Due to Other Funds	22,876
Capital Leases Payable	-
Current Portion of Revenue Bonds Payable	15,000
Customer Meter Deposits	93,577
Total Current Liabilities	206,985
Liabilities (Payable from Restricted Assets):	
Long-Term Liabilities	
Net Pension Liability	32,636
Capital Leases Payable	0
Revenue Bonds Payable	831,000
Total Long-Term Liabilities	863,636
Total Liabilities	1,070,621
Deferred Resource Inflows 68	47,854
Deferred Resource Inflows 75	-
NET POSITION	
Invested in Capital Assets	6,411,012
Restricted for:	
Revenue Bond Retirement	19,278
Unrestricted	446,550
Net Position	6,876,841

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, 2018

EXHBIT D-2

	Business-Type Activities Enterprise Fund Utility Fund
OPERATING REVENUES	
Water Sales	914,701
Sewer Sales	553,690
Meter tap/reconnect fees	18,930
Other Fees and Charges	47,507
Total Operating Revenues	1,534,829
OPERATING EXPENSES	
Personnel Costs	548,840
Contracted Services	-
Supplies	-
Maintenance	-
Self Insurance Claims & Administration	-
Other Operating Expenses	427,198
Subtotal	976,038
Water Purchased	305,966
Depreciation	156,236
Amortization	-
Total Operating Expenses	1,438,239
Net Operating Income	96,589
NON-OPERATING REVENUES (EXPENSES)	
Refunding Bonds Issued	-
Payments to Escrow Agents	-
Grant Income	5,000
Interest Income	1,188
Interest and Fiscal Charges	(45,369)
Net Non-Operating Revenues (Expenses)	(39,181)
Income Before Transfers	57,408
Transfers in	-
Transfers (out)	(251,771)
Change in Net Position	(194,363)
Prior Period Adjustment	91,571
NET POSITION BEGINNING OF YEAR	6,979,632
NET POSITION END OF YEAR	6,876,841

CITY OF MATHIS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT D-3

	Business-Type Activities Enterprise Fund Utility Fund
Cash flow from operating activities:	
Cash received from customers	1,541,382
Cash received from other funds for services	-
Cash payments to suppliers for goods and services	(721,333)
Cash payments to employees for services	(544,310)
Other adjustments	-
Net cash provided by operating activities	275,739
Cash flows from noncapital financing activities:	
Transfers to other funds	(251,771)
Cash Flows from Capital and Related Financing Activities:	
Net Refunds bonds/costs	-
Grant Proceeds	5,000
Principal Payment on bonds	(14,000)
Interest and Fiscal Charges Paid	(45,369)
Purchase of Capital Assets	(17,506)
Other Adjustments	95,490
Net Cash Used for Capital and Related Financing Activites	23,615
Cash Flows from Investing Activities- Interest Income	1,188
Net Increase (Decrease) in Cash and Cash Equivalents	48,771
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	121,729
CASH AND CASH EQUIVALENTS AT END OF YEAR	170,500
Reconciliation of Operating Income to Net Cash	
Operating Activities	
Operating Income	96,589
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	156,236
Amortization	-
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable (Net)	(33,011)
(Increase) Decrease in Due from Other Funds	39,564
(Increase) Decrease in Due from Other Governments	-
(Increase) Decrease in Prepaid Items	0
(Increase) Decrease in Inventory	-
Increase (Decrease) in Accounts Payable	(37,601)
Increase (Decrease) in Accrued Liabilities	-
Increase (Decrease) in Due to Other Funds	22,876
Increase (Decrease) in Capital Leases Payable	-
Increase (Decrease) in Compensated Absences	4,530
Increase (Decrease) in Customer Deposits	26,556
Net Cash Provided by Operating Activities	275,739

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CITY OF MATHIS, TEXAS **EXHIBIT E-1**

STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS

YEAR ENDED SEPTEMBER 30, 2018

	Agency Funds
Assets	
Cash and cash equivalents	$ 13,739
Accounts Receivable	0
Total Assets	$ 13,739
Liabilities	
Due to others	$ 13,739
Total Liabilities	$ 13,739

The accompanying notes are an intergral 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, 2018

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 5190.6, 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.

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

	Risk Categories			Bank	Carrying
	(1)	(2)	(3)	Balance	Amount
Cash Accounts	12,234	-	-	12,234	12,234
Total	12,234	-	-	12,234	12,234

The Corporation's investments are categorizes as either (1) insured or registered, or securities held by the Corporation or its agent in the Corporations' name, (2) uninsured and unregistered with securities held by the financial institution" 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
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
Thereafter	-	-	-
Total	-	-	-

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.

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.

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.

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 an 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.

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, 2018.

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 it not available. Donated fixed assets are recorded at their estimated fair market value on the date of donated. 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 uses 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.

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 POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. 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	(579,031)	140,930	
Furniture & Equipment	4,437,936	(3,253,069)	1,184,867	
Capital Leases	-	-	-	
Infrastructure	6,028,351	(1,926,559)	4,101,792	
Change in Net Position	$ 11,508,823	$ (5,758,659)		$ 5,750,164
Long-term Liabilities at the Beginning of the year				
Bonds Payable	$ 210,000			
Loans Payable	41,030			
Capital Leases Payable	559,459			
Compensated Absences	41,941			
Other	-			
Change in Net Position	852,430			$ (852,430)
Net Adjustment to Net Position				$ 4,897,734

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
Current Year Capital Outlay			
Land	$ -	$ -	$ -
Buildings & Improvements	-	-	-
Furniture & Equipment	486,552	486,552	486,552
Construction in Process	-	-	-
Total Capital Outlay	$ 486,552	$ 486,552	$ 486,552
Debt Principal Payments			
Bond Principal	140,000	140,000	140,000
Loan Principal	7,977	7,977	7,977
Capital Lease Payments	101,023	101,023	101,023
Other	(3,473)	(3,473)	(3,473)
Total Principal Payments	245,527	245,527	245,527
Total Adjustment to Net Position	$ 732,079	$ 732,079	$ 732,079

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
Adjustments to Revenue and Unavailable Revenue			
Taxes Collected from Prior Year Levies	$ -	$ -	$ -
Uncollected taxes(assumed collectible) from Current Year Levy	235,937	235,937	235,937
Uncollected Taxes (assumed collectible) from Prior Year Levy	499,841	499,841	499,841
Other	-	-	-
Total	$ 735,778	$ 735,778	$ 735,778

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 proposes 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

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, 2018, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $509,202 and the bank balance was $522,584. The City's cash deposits at September 30, 2018 and during the year ended September 30, 2018 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 counter-party'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.

The City's investments at September 30, 2018, are shown below:

Investment Maturities (In Years)

Investment or Investment Type	Fair Value	Less than 1	1 to 2
Investment in Tex-Pool	130,741	130,741	-
Total Fair Value	$ 130,741	$ 130,741	$ -

Interest Rate Risk- In accordance with state law and City policy, the City does not purchase any investments with maturities greater than 10 years.

Credit Risk- In accordance with state law and the City's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at lease A-1 or P-1, and investments in obligations from other states, municipalities, countries, etc. must be rated at least A. The City's investments in investment pools were rated AAA.

Concentration of Credit Risk- the City does not place a limit on the amount the City may invest in any one issuer. The City does not have a concentration of credit risk.

Custodial Credit Risk- For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a custodial credit risk.

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.

D. INTERFUND BALANCES AND TRANSFERS

Inter-fund balances at September 30, 2018, consisted of the following amounts:

Due From:	
General Fund	-
All Others	324,576
Total Due to General Fund from Other Funds	324,576
Due To:	
General Fund	264,633
Internal Service Funds	-
All Others	59,943
Total Due to Major Fund #1	324,576

Inter-fund transfers for the year ended September 30, 2018, consisted of the following individual amounts:

Transfers from Other Funds:	
Major Governmental Funds	277,446
Non-Major Governmental Funds	-
All Others - Utility, agency	87,993
Total Transfers to General Fund	365,439
Transfers to Other Funds:	
Major Governmental Funds	10,000
Non-Major Governmental Funds	103,668
All Others - Utility	251,771
Total Transfers to Nonmajor Governmental Funds	365,439
Note- the transfers were noted to be out of balance.	-

E. DESEGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2018, were as follows:

	Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	$ 499,841	$ 242,056	$ -	$ 197,066	$ 938,963
Capital Project Fund	-	-	-	-	-
Debt Service Fund	235,937	-	144,135	-	380,072
Other Major Governmental Fund	-	-	-	-	-
Non-major Funds	-	-	-	-	-
Other Funds	-	-	132,715	31,606	164,321
Total - Governmental Activities	$ 735,778	$ 242,056	$ 276,850	$ 228,672	$ 1,483,356
Business-Type Activities:					
Major Enterprise Fund #1	$ -	$ -	$ 47,726	$ 383,934	$ 431,660
Nonmajor Enterprise Funds	-	-	-	-	-
Total Business-Type Activities	$ -	$ -	$ 47,726	$ 383,934	$ 431,660

Payables at September 30, 2018, 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	$ 141,345	$ 200,233	$ -	$ 264,633	$ -	$ 29,279	$ 635,490
Debt Service Fund	-	-	-	-	-	-	-
Major Governmental Fund #2	-	-	-	-	-	-	-
Major Governmental Fund #3	-	-	-	-	-	-	-
Nonmajor Governmental Funds	16,309			37,069	-	-	53,378
Internal Service Funds	-	-	-	-	-	-	-
Total - Governmental Activities	$ 157,654	$ 200,233	$ -	$ 301,702	$ -	$ 29,279	$ 688,868
Business-Type Activities:							
Major Enterprise Fund #1	$ 63,479	$ 15,000	$ 12,053	$ 22,876	$ -	$ -	$ 113,408
Nonmajor Enterprise Funds	-	-	-	-	-	-	-
Total Business-Type Activities	$ 63,479	$ 15,000	$ 12,053	$ 22,876	$ -	$ -	$ 113,408

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended September 30, 2018, 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	719,962	-	-	719,962
Machinery, equipment and vehicles	4,437,936	88,079	-	4,526,015
Infrastructure	6,028,351	398,473	-	6,426,824
Total capital assets, being depreciated	11,186,249	486,552	-	11,672,801
Less accumulated depreciation for:				
Buildings and improvements	579,031	11,746	-	590,777
Machinery, equipment and vehicles	3,253,069	245,111	-	3,498,180
Infrastructure	1,926,559	95,275	(5)	2,021,839
Total accumulated depreciation	5,758,659	352,132	(5)	6,110,796
Total capital assets being depreciated, net	5,427,590	134,420	5	5,562,005
Governmental activities capital assets, net	5,750,165	134,420	5	5,884,580
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	167,594	17,506	-	185,100
Infrastructure	11,170,524	-	-	11,170,524
Total capital assets, being depreciated	11,560,563	17,506	-	11,578,069
Less accumulated depreciation for:				
Buildings and improvements	187,776	2,754	-	190,530
Machinery, equipment and vehicles	119,571	8,724	-	128,295
Infrastructure	3,929,370	144,758	(2)	4,074,130
Total accumulated depreciation	4,236,717	156,236	(2)	4,392,955
Total capital assets, being depreciated, net	7,323,846	(138,730)	2	7,185,114
Business-type activities capital assets, net	$ 7,336,258	$ (138,730)	$ 2	$ 7,197,526

1 - correction to beginning balance

Depreciation expense was charged to governmental functions as follows:	
General Government	352,132
Utility Fund	156,236
Total Depreciation Expense	508,368

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.

Date of Issue/Maturity	Description	Beginning Balance	Amount Issued	Amount Redeemed	Ending Balance
Bank Loans - Various	Equipment	41,030	-	7,977	33,053

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, 2018 is as follows:

DESCRIPTION	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Payable Amounts Outstanding	Issued	Retired	Outstanding
Cert. of Obligations - 2003	4.60%	1,560,000	8,050	210,000	-	140,000	70,000
Total Governmental Activities			8,050	210,000	-	140,000	70,000

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, 2018, 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
2019	70,000	1,610	71,610
2020	-	-	-
2021	-	-	-
2022	-	-	-
Thereafter	-	-	-
Totals	$ 70,000	$ 1,610	$ 71,610

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

Year Ending September 30	General Obligations		
	Principal	Interest	Total
2019	15,000	37,013	52,013
2020	15,000	36,356	51,356
2021	16,000	35,700	51,700
2022	17,000	35,000	52,000
2023	17,000	34,256	51,256
Thereafter	766,000	490,000	1,256,000
Totals	846,000	668,325	1,514,325

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,	Annual Amts
2019	100,336
2020	100,336
2021	100,336
2022	100,336
2023	100,336
Thereafter	-
Total Capital Leases	501,680
Less Interest	72,664
Net	$ 429,016

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,	Annual
2019	-
2020	-
2021	-
2022	-
2023	-
Thereafter	-
Total Capital Lease Payments	-
Less Interest	-
Net	$ -

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, 2018 was $45,414 in the various funds and $12,053 in the proprietary fund.

L. DEFINED BENEFIT PENSION PLAN

Defined Benefit Pension Plans

A. Plan Description

The City of Mathis, Texas, participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*. All eligible employees of the city are required to participate in TMRS.

B. Benefits Provided

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

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

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.

Employees covered by benefit terms.

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

	2016	2017
Inactive employees or beneficiaries currently receiving benefits	26	25
Inactive employees entitled to but not yet receiving benefits	98	95
Active employees	56	55
Total	180	175

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Mathis, Texas, were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Mathis, Texas, were 4.46% and 4.80% in calendar years 2017 and 2018, respectively. The city's contributions to TMRS for the year ended September 30, 2017, were $84,569, and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

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

Inflation	2.50% per year
Overall payroll growth	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balance at 12/31/2016	$ 2,827,646	$ 3,148,509	$ (320,863)
Changes for the year:			
Service cost	267,665	-	267,665
Interest	193,269	-	193,269
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(156,719)	-	(156,719)
Changes in Assumptions	-	-	-
Contributions – Employer	-	89,851	(89,851)
Contributions – Employee	-	146,953	(146,953)
Net Investment Income	-	436,041	(436,041)
Benefit Payments, Including Refunds of Employee Contributions	(196,474)	(196,474)	-
Administrative Expense	-	(2,261)	2,261
Other Changes	-	(115)	115
Net Changes	$ 107,741	$ 473,995	$ (366,254)
Balance at 12/31/2017	**$ 2,935,387**	**$ 3,622,504**	**$ (687,117)**

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$(283,866)	$(687,117)	$(1,013,815)

Pension Plan Fiduciary Net Position

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

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

For the year ended, the City of Mathis, Texas, recognized pension expense of $32,782.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$0	$99,709
Changes in actuarial assumptions	$0	$0
Difference between projected and actual investment earnings	$0	$91,706
Contributions subsequent to the measurement date	$70,081	$0
Total	$70,081	$191,415

$70,081 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2019	$(72,158)
2020	$(29,823)
2021	$(44,730)
2022	$(44,704)
2023	$0
Thereafter	$0

Other Post-Employment Benefits (OPEB) – GASB 75

The total OPEB liability of the Texas Municipal Retirement System (the "TMRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

OPEB - Supplemental death benefits plan - Plan Description

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by TMRS. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage (Supplemental Death Benefits) for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits Provided

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of $7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund.

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Employees of the City were required to contribute 0.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.18% and 0.24% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 31, 2018 were $4,148 and were equal to the required contributions.

Total OPEB Liability

Actuarial assumptions. The actuarial assumptions used in the calculation of the funding valuation for the Supplemental Death Benefits Fund (SDBF) are based on the Mortality Experience Investigation Study covering 2010 through 2014, and dated December 31, 2014. These assumptions were first used in the December 31, 2017 valuation. For purposes of developing the SDBF contribution rates, no other demographic assumptions are applicable.

I. Assumptions
A. Mortality Rates — Same as for the Pension Trust Fund.
B. Investment Return — A statutory interest credit of 5% is allocated annually and is not dependent on investment earnings.
C. Actuarial Cost Method — For the purpose of calculating an employer's actuarially determined contribution rate, the one-year term cost is used.
D. Valuation of Assets — Assets in the SDBF are valued at fund value (or fund balance); however, since the contribution rates are based just on the one-year term cost, assets are not included in developing the rate.
E. Changes in Actuarial Assumptions and Methods — There were no changes since the prior valuation.

II. Benefit Provisions
A. Participation in SDBF — Participation in the SDBF is optional and may be rescinded. Each municipality that chooses to participate can elect to cover just active members, or both active and retired members.
B. Benefit Eligibility — Benefits are payable if the death occurs during the period in which a municipality has elected to participate in the SDBF. For retirees who had service with multiple TMRS employers, benefits are payable only if the municipality from which the member retired participates in the SDBF when the death occurs.
C. Benefit Amount — The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is a fixed amount of $7,500.

Discount rate. The discount rate used to measure the Total OPEB Liability was 3.31%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute.

Changes in the Net Pension Liability	**Total Pension Liability (a)**
Balance at 12/31/2016	$ 111,124
Changes for the year:	
Service cost	6,718
Interest	4,308
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	-
Changes in Assumptions	9,444
Contributions – Employer	-
Contributions – Employee	-
Net Investment Income	-
Benefit Payments, Including Refunds of Employee Contributions	(1,050)
Administrative Expense	-
Other Changes	-
Net Changes	$ 19,420
Balance at 12/31/2017	**$ 130,544**

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

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's net pension liability	$154,990	$130,544	$111,654

OPEB plan total liability. Detailed information about the OPEB plan's Total OPEB Liability is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the year ended September 30, 2018, the City recognized OPEB expense of $12,904.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$0	$0
Changes in actuarial assumptions	$7,566	$0
Difference between projected and actual investment earnings	$-0-	$0
Contributions subsequent to the measurement date	$3,688	$0
Total	$11,254	$0

$3,688 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2018	$1,878
2019	$1,878
2020	$1,878
2021	$1,878
2022	$54
Thereafter	$0

M. POST EMPLOYMENT HEALTH CARE BENEFITS

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premiums are paid in full by the insured for the actual month covered. This program is offered for a period of 18 months after the termination date. There is no associated cost to the City under this program.

City supplemental death to:	Plan Year 2018	Plan Year 2017
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The city's contribution to the TMRS SDBF for the years ended 2018, 2017 and 2016 were $4,148, $2,828, and $3,856, respectively, which equaled the required contributions each year.

N. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended September 30, 2018, was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	$ 210,000	$ -	$ 140,000	$ 70,000	$ 70,000
Notes	41,030	-	7,977	33,053	7,977
Equipment Note	-	-	-	-	-
Less Deferred Amount on Refunding	-	-	-	-	-
Total Bonds and Notes Payable	251,030	-	147,977	103,053	77,977
Other Liabilities:					
Capital Leases	559,459	-	101,023	458,436	106,361
Compensated Absences	41,941	5,191	1,718	45,414	15,895
Claims and Judgments	-	-	-	-	-
Total Other Liabilities	601,400	5,191	102,741	503,850	122,256
Total Governmental Activities Long-Term Liabilities	852,430	5,191	250,718	606,903	200,233
Business-type Activities					
Bonds and Notes Payable:					
Bonds	860,000	-	14,000	846,000	15,000
Loans	-	-	-	-	-
Less Deferred Amounts	-	-	-	-	-
Total Bonds and Note Payable	860,000	-	14,000	846,000	15,000
Other Liabilities					
Compensated Absences	21,113	2,495	11,555	12,053	2,411
Capital Leases	-	-	-	-	-
Total Other Liabilities	21,113	2,495	11,555	12,053	2,411
Total Business-type Activities Long-Term Liabilities	$ 881,113	$ 2,495	$ 25,555	$ 858,053	$ 17,411

O. UNAVAILABLE REVENUE

Unavailable revenue at year end consisted of the following:

	General Fund	Business Type Fund	Debt Service Fund	Total
Net Tax Revenue	$ 499,841	$ -	$ 235,937	$ 735,778
Other	-	-	-	-
Total Unavailable Revenue	$ 499,841	$ -	$ 235,937	$ 735,778

P. 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, 2018, are summarized below.

Fund	State Entitlements	Federal Grants	Total
General	$ 167,694	$ -	$ 167,694
Special Revenue	63,249	-	63,249
Total	$ 230,943	$ -	$ 230,943

Q. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	$ 719,208	$ -	$ 389,184	$ -	$ 1,108,392
Penalties, Interest and Other Tax Related Income	48,985	-	-	-	48,985
Investment Income	1,161	615	134	-	1,910
Sales Tax/Franchise	968,094	114,171	-	-	1,082,265
Charges for Services	1,053,172	-	-	-	1,053,172
Other	435,656	400,225	19,320	-	855,201
Total	$ 3,226,276	$ 515,011	$ 408,638	$ -	$ 4,149,925

R. 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***.

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 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.

Fund Balance Classification	Amount
Restricted	
Federal/State Grants	$276,052
Retirement of Long Term Debt	159,572
Assigned Fund Balances	
Undesignated/Unassigned	-
Unassigned Fund Balance	221,506
Total Fund Balances	$ 657,131

T. PRIOR PERIOD ADJUSTMENTS

During the year, the City has implemented GASB 75, Accounting For Pensions. As part of the implementation, prior period adjustments has been made to the Governmental Funds and the Utility Funds as a 75/25 split of this implementation, also, the City has made adjustments for GASB 75 to correct liabilities that should have been recorded in the prior period.

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, 2018 fiscal year as necessary. The Council has evaluated subsequent events through September 30, 2019, 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, 2018

BUDGETARY DATA

Annual budgets are legally adopted by council. The City Manager is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of a department must be approved by the City Council. Budgeted amounts reported in the 2017-2018 financial statements present the original and final amended budget approved by the Council. All unencumbered budget appropriations except project budgets, lapse at the end of each fiscal year. The following procedures are used by the City in establishing the budgetary date reflected in the financial statements:

1. Prior to first meeting in September, the City Manager is required to submit a proposed budget to the City Council. The operating budget includes proposed expenditures and the means of financing them.

2. Advertised public hearings are conducted.

3. The budget is required to be approved by October 1st.

4. The applicable rates are approved after the budget has been approved.

5. The budget may be amended as considered necessary. The budget and rates are enacted through the passage of ordinances.

CITY OF MATHIS, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Plan Year Ended December 31,			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	$ 267,665	$ 256,721	$ 222,406	$ 140,356
Interest (on the total pension liability)	193,269	178,798	164,060	157,939
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(156,719)	(38,798)	835	(56,629)
Change of assumptions	-	-	75,458	-
Benefit payments, including refunds of employee contributions	(196,474)	(179,138)	(170,419)	(220,070)
Net Change in Total Pension Liability	107,741	217,583	292,340	21,596
Total Pension Liability - Beginning	2,827,646	2,610,063	2,317,723	2,296,127
Total Pension Liability - Ending (a)	$ 2,935,387	$ 2,827,646	$ 2,610,063	$ 2,317,723
Plan Fiduciary Net Position				
Contributions - employer	$ 89,851	$ 61,694	$ 55,141	$ 15,912
Contributions - employee	146,953	142,059	128,665	94,815
Net investment income	436,041	197,809	4,298	163,625
Benefit payments, including refunds of employee contributions	(196,474)	(179,138)	(170,419)	(220,070)
Administrative expense	(2,261)	(2,235)	(2,619)	(1,709)
Other	(115)	(120)	(129)	(140)
Net Change in Plan Fiduciary Net Position	473,995	220,069	14,937	52,433
Plan Fiduciary Net Position - Beginning	3,148,509	2,928,440	2,913,503	2,861,070
Plan Fiduciary Net Position - Ending (b)	$ 3,622,504	$ 3,148,509	$ 2,928,440	$ 2,913,503
Net Pension Liability - Ending (a) - (b)	$ (687,117)	$ (320,863)	$ (318,377)	$ (595,780)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	123.41%	111.35%	112.20%	125.71%
Covered Payroll	$ 2,099,331	$ 2,029,412	$ 1,838,065	$ 1,354,494
Net Pension Liability as a Percentage of Covered Payroll	-32.73%	-15.81%	-17.32%	-43.99%

CITY OF MATHIS, TEXAS
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Fiscal Year Ended September 30,			
	2018	2017	2016	2015
Actuarially determined contribution	$ 96,222	$ 84,569	$ 674,334	$ 45,742
Contributions in relation to actuarially determined contribution	(96,222)	(84,569)	(674,334)	(45,742)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 2,147,604	$ 2,051,357	$ 2,010,739	$ 1,648,513
Contributions as a percentage of covered payroll	4.48%	4.12%	33.54%	2.77%

CITY OF MATHIS, TEXAS
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	There were no benefit changes during the year.

CITY OF MATHIS, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Plan Year Ended December 31, 2017
Total OPEB Liability	
Service cost	$ 6,718
Interest (on the total OPEB liability)	4,308
Changes of benefit terms	-
Difference between expeeted and actual experience	-
Change of assumputions	9,444
Benefit payments, including refunds of employee contributions	(1,050)
Net Change in Total OPEB Liability	19,420
Total OPEB Liability - Beginning	111,124
Total OPEB Liability - Ending (a)	$ 130,544
Covered Payroll	$ 2,099,331
Total OPEB Liability as a Percentage of Covered Payroll	6.22%

COMBINING AND INDIVUDAL 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
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2018 AND 2017

EXHIBIT H-1

	2018	2017
ASSETS		
Cash and Texpool Accounts	217,641	137,847
Receivables and Allowances:		
Accounts		
Assessments and Fees (net)	143,544	138,235
Miscellaneous	53,522	-
Inventory	-	-
Due From Other Governmental Agencies		
Sales Taxes	11,112	10,602
Other Governmental	230,943	99,103
Ad Valorem Taxes	624,801	576,210
Allowance for Uncollectible Taxes	(124,960)	(115,242)
Due from Other Funds	-	106,711
Prepaid Items	-	-
TOTAL ASSETS	**1,156,603**	**953,466**
LIABILITIES AND FUND BALANCE		
Accounts Payable	141,345	205,856
Other Payables	29,279	-
Due to Other Funds	264,633	187,635
Other Accruals	-	-
TOTAL LIABILITIES	435,256	393,491
DEFERRED INFLOWS OF RESOURCES		
Unvailable Tax Revenue	499,841	460,968
TOTAL DEFERRED INFLOWS OF RESOURCES	499,841	460,968
FUND BALANCE		
Reserve for Inventory	-	-
Reserve for Compensated Balances	-	-
Unreserved		
Undesignated	221,506	99,007
TOTAL FUND BALANCE	221,506	99,007
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	**1,156,603**	**953,466**

CITY OF MATHIS, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER SOURCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2018
WITH COMPARATIVE ACTUAL AMOUNT FOR 2017

	2018				2017
	BUDGETED AMOUNTS			Budget	
	Original	Final	Actual	Variance	Actual
REVENUES					
Taxes					
Ad valorem- Current	674,298	674,298	639,423	(34,875)	674,089
Ad valorem- Delinquent	66,079	66,079	79,785	13,706	72,465
Ad valorem- Penalty & Interest	36,033	36,033	48,985	12,952	44,231
Attest Fees	-	-	-	-	-
City Sales	746,542	746,542	736,857	(9,685)	759,243
Street Maintenance Sales Tax	37,293	37,293	37,565	272	36,801
EDC Monthly Expense Fee	-	-	-	-	-
Franchise	185,891	185,891	193,672	7,781	188,103
Other	-	-	-	-	-
Total Taxes	**1,746,136**	**1,746,136**	**1,736,288**	**(9,848)**	**1,774,932**
Licenses and Permits					
Animal Licenses	1,666	1,666	180	(1,486)	805
Business Licenses	5,696	5,696	1,812	(3,884)	4,468
Building Permits	8,547	8,547	17,333	8,786	12,989
Electrical Permits	4,617	4,617	6,785	2,168	4,908
Plumbing Permits	1,193	1,193	1,213	20	1,668
Other Permits	2,099	2,099	5,178	3,079	4,471
Mechanical Permits	1,154	1,154	6,187	5,033	2,622
Total Licenses and Permits	**24,972**	**24,972**	**38,687**	**13,715**	**31,931**
Mechanical Permits					
Intergovernmental	-	-	2,477	2,477	-
Total Intergovernmental	**-**	**-**	**2,477**	**2,477**	**-**

CITY OF MATHIS, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER SOURCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2018
WITH COMPARATIVE ACTUAL AMOUNT FOR 2017

	2018				2017
	BUDGETED AMOUNTS			Budget	
	Original	Final	Actual	Variance	Actual
REVENUES					
Charges for Services					
Rural Fire Calls	41,176	41,176	39,084	(2,092)	41,176
Jury Reimbursement Fees	-	-	-	-	-
Weed Control Charges	-	-	-	-	-
Rec Machine Tax	-	-	-	-	-
Mixed Beverage Tax	-	-	3,143	3,143	1,134
Child Safety Fee	-	-	-	-	-
Refuse Services	452,577	452,577	431,340	(21,237)	454,036
Tax Certificate	-	-	-	-	-
Other Revenue	-	-	-	-	83,318
Subtotal	**493,753**	**493,753**	**473,567**	**(20,186)**	**579,664**
Other Revenues					
Other/Municipal Court Fines	46,651	46,651	41,301	(5,350)	79,958
Interest	537	537	1,161	624	891
EMS Billings/Contributions	500,115	500,115	579,605	79,490	457,665
Attorney Fees	-	-	-	-	-
Animal Control Fees	2,854	2,854	-	(2,854)	2,555
Cash Over/Short	-	-	-	-	-
Court Fees	76,991	76,991	58,485	(18,506)	58,668
Sale of Assets	-	-	70,967	70,967	-
Miscellaneous	122,090	122,090	146,334	24,244	108,988
Other Fees	15,509	15,509	8,052	(7,457)	4,322
Copy & Map Sales	-	-	-	-	21
Insurance Refund	-	-	-	-	-
Debt Share from Other Funds	-	-	-	-	-
Juvenile Case Manager	-	-	-	-	-
County EMS Subsidy	28,790	28,790	35,075	6,285	31,563
LEOSE	-	-	-	-	-
State Revenues	28,212	28,212	31,856	3,644	24,456
City Property/Bldg Rental/Land Use	-	-	2,420	2,420	108
Subtotal	**821,749**	**821,749**	**975,257**	**153,508**	**769,195**
Total Revenues	**3,086,610**	**3,086,610**	**3,226,276**	**139,666**	**3,155,722**
OTHER SOURCES- Operating Transfers					
Capital - related Debt Issued	-	-	-	-	-
Transfers In	283,750	283,750	277,446	(6,304)	301,938
Total Operating Transfers	**283,750**	**283,750**	**277,446**	**(6,304)**	**301,938**
TOTAL REVENUES AND OTHER SOURCES	**3,370,360**	**3,370,360**	**3,503,722**	**133,362**	**3,457,660**

CITY OF MATHIS, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2018
WITH COMPARATIVE ACTUAL AMOUNT FOR 2017

	2018			
	BUDGETED AMOUNTS		Personnel	Supplies &
	Original	Final	Costs	Services
Current Expenditures				
General Administration				
Municipal Court	112,146	112,146	36,222	69,516
Administration	625,945	625,945	471,795	182,779
Total General Administration	**738,091**	**738,091**	**508,017**	**252,295**
Public Safety				
Police	1,015,494	1,015,494	732,149	127,598
Fire	57,762	57,762	1,332	57,306
Emergency Medical Services	672,436	672,436	563,128	218,675
Animal Control	70,371	70,371	38,163	10,154
Code Enforcement	-	-	-	-
Total Public Safety	**1,816,063**	**1,816,063**	**1,334,772**	**413,732**
Public Works				
Streets Department	382,522	382,522	240,475	199,613
Total Public Works	**382,522**	**382,522**	**240,475**	**199,613**
Sanitation				
Sanitation	358,560	358,560	-	327,832
Total Sanitation	358,560	358,560	-	327,832
Culture and Recreation				
Library	-	-	-	-
Parks	93,981	93,981	69,772	24,715
Total Parks and Recreation	**93,981**	**93,981**	**69,772**	**24,715**
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Debt Service	-	-	-	-
Total Current Expenditures	**3,389,217**	**3,389,217**	**2,153,036**	**1,218,187**
Transfer Out	35,045	35,045	-	-

		2018		2017
Debt Service	Capital Outlay	Total Actual	Final Budget Variance	Actual
-	-	105,738	6,408	25,610
-	-	654,573	(28,628)	10,995
-	-	**760,312**	**(22,221)**	**36,605**
-	-	859,747	155,747	(3,881)
-	-	58,638	(876)	18,274
-	-	781,803	(109,367)	7,218
-	-	48,317	22,054	(56)
-	-	-	-	-
-	-	**1,748,505**	**67,558**	**21,555**
-	-	440,088	(57,566)	10,925
-	-	**440,088**	**(57,566)**	**10,925**
-	-	327,832	30,728	(34,256)
-	-	327,832	30,728	(34,256)
-	-	-	-	3,500
-	-	94,487	(506)	11,029
-	-	**94,487**	**(506)**	**14,529**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	**3,371,223**	**17,994**	**49,358**
-	-	10,000	-	-

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CITY OF MATHIS, TEXAS
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2018 AND 2017

Exhibit H-4

	2018	2017
ASSETS		
Cash and Cash Equivalents	15,437	90,439
Receivables and Allowances		
Ad Valorem Taxes	293,714	263,235
Allowance for Uncollectible Taxes	(57,777)	(52,647)
Due from Other Funds	144,135	61,027
TOTAL ASSETS	395,510	362,054
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	0	0
Due to Other Funds	0	0
TOTAL LIABILITIES	0	0
DEFERRED INFLOWS OF RESOURCES		
Unavailable Tax Revenues	235,937	210,588
TOTAL DEFERRED INFLOWS OF RESOURCES	235,937	210,588
FUND BALANCE		
Reserve for Debt Service	159,572	151,467
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	395,510	362,055

CITY OF MATHIS, TEXAS **Exhibit H-5**
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2018

	2018				2017
	BUDGETED AMOUNTS			Final Budget	
	Original	Final	Actual	Variance	Actual
REVENUES					
Ad valorem Taxes	0	0	363,762	363,762	351,632
Ad valorem- Penalty & Interest	0	0	25,422	25,422	23,677
Total Ad valorem Taxes	0	0	389,184	389,184	375,309
CO 2003 MEDC Split	(1,000)	-	19,320	19,320	8,839
In Lieu Taxes	0	0	0	0	0
Interest	0	0	134	134	82
Total Revenues	(1,000)	0	408,637	408,637	384,230
EXPENDITURES					
Other Services and Charges	2,000	0	9,890	(9,890)	60
Debt Service					
Principal Retirement	0	0	249,000	(249,000)	331,232
Interest and Fiscal Charges	100,629	0	141,642	(141,642)	91,846
Total Expenditures	102,629	0	400,532	(400,532)	423,138
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(103,629)	0	8,105	8,105	(38,908)
OTHER FINANCING SOURCES (USES)					
Other Financing - Bonds	0	0	0	0	0
Other Sources- Transfers (Out)	0	0	0	0	0
Other Sources- Transfers In	0	0	0	0	0
Total Other Financing Sources (Use:	0	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(103,629)	0	8,105	8,105	(38,908)
FUND BALANCE, beginning of year	151,467	151,467	151,467	0	190,375
FUND BALANCE, end of year	**47,838**	**151,467**	**159,572**	**8,105**	**151,467**

SCHEDULES – NON-MAJOR GOVERNMENTAL FUNDS

CITY OF MATHIS, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2018
WITH COMPARATIVE TOTALS FOR 2017

	Court Technology Fund	Court Security Fund	Street Improvements Fund	CDBG Grant Fund
ASSETS				
Cash and Cash Equivalents	1,547	-	133,417	2,271
Receivables	-	-	17,926	-
Due from Other Governments	-	-	-	-
Due from Other Funds	1,594	2,821	46,544	36,920
TOTAL ASSETS	**3,141**	**2,821**	**197,887**	**39,191**
LIABILITIES AND FUND BALANCE				
Accounts Payable	-	-	16,309	-
Due to Others	-	-	-	-
Due to Other Funds	-	-	-	37,069
TOTAL LIABILITIES	**-**	**-**	**16,309**	**37,069**
FUND BALANCE				
Commited for Special Revenue	-	-	-	-
Assigned for Special Revenue	3,141	2,821	181,578	2,122
Restricted for Debt Service	-	-	-	-
TOTAL FUND BALANCE	**3,141**	**2,821**	**181,578**	**2,122**
TOTAL LIABILITIES & FUND BALANCE	**3,141**	**2,821**	**197,887**	**39,191**
	-	-	-	-

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 2018	Total Nonmajor 2017
53	27,821	-	-	-	-	165,108	300,463
-	13,680	-	-	-	-	31,606	147,953
-	-	-	-	-	-	-	-
-	44,836	-	-	-	-	132,715	92,655
53	**86,337**	-	-	-	-	**329,430**	**541,071**
-	-	-	-	-	-	16,309	168,401
-	-	-	-	-	-	-	-
-	-	-	-	-	-	37,069	160,048
-	-	-	-	-	-	**53,378**	**328,449**
-	-	-	-	-	-	-	-
53	86,337	-	-	-	-	276,052	212,622
-	-	-	-	-	-	-	-
53	**86,337**	-	-	-	-	**276,052**	**212,622**
53	**86,337**	-	-	-	-	**329,430**	**541,071**
-	-	-	-	-	-	-	-

CITY OF MATHIS, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2018
WITH COMPARATIVE TOTALS FOR 2017

	Court Technology Fund	Court Security Fund	Street Improvements Fund	CDBG Grant Fund
REVENUE				
Taxes	-	-	-	-
Intergovernmental	-	1,004	74,422	-
Interest	23	-	274	-
Other	1,594	-	-	323,205
TOTAL REVENUES	**1,617**	**1,004**	**74,696**	**323,205**
EXPENDITURES				
Current				
Personnel Costs	-	-	-	-
Supplies	-	-	-	-
Other Services and Charges	-	-	16,309	331,604
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	**-**	**-**	**16,309**	**331,604**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,617	1,004	58,388	(8,399)
OTHER FINANCE SOURCES (USES)				
OTHER FINANCING - Bonds	-	-	-	-
Transfer In from Other Funds	-	-	-	-
Transfer (Out) to Other Funds	-	-	-	-
TOTAL OTHER FINANCE SOURCES(USES)	**-**	**-**	**-**	**-**
EXCESS (DEFICIENCY) OF REV. AND OTHER SOURCES OVER EXPENDITURES & OTHER USES	1,617	1,004	58,388	(8,399)
FUND BALANCE, beginning of year	**1,524**	**1,817**	**123,191**	**10,522**
Prior Period Adjustment	-	-	-	-
FUND BALANCE, end of year	**3,141**	**2,821**	**181,578**	**2,122**

Police Improvement Fund	Hotel/ Motel Fund	Park Reserve Fund	Series 2003 Certificate of Obligation Fund	M. I. S. Information System Fund	FEMA Grant Fund	2018	Nonmajor Governmental Funds 2017
-	114,171	-	-	-	-	114,171	105,496
-	-	-	-	-	-	75,426	68,402
-	318	-	-	-	-	615	488
-	-	-	-	-	-	324,798	256,503
-	**114,489**	-	-	-	-	**515,011**	**430,889**
-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	0
-	-	-	-	-	-	347,913	266,288
-	-	-	-	-	-	-	0
-	-	-	-	-	-	**347,913**	**266,288**
-	114,489	-	-	-	-	167,098	164,601
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(103,668)	-	-	-	-	(103,668)	(127,427)
-	**(103,668)**	-	-	-	-	**(103,668)**	**(127,427)**
-	10,821	-	-	-	-	63,430	37,174
53	75,516	-	-	-	-	212,622	175,448
-	-	-	-	-	-	-	-
53	86,337	-	-	-	-	276,052	212,622

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ENTERPRISE FUNDS

CITY OF MATHIS, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
UTILITY FUND
SEPTEMBER 30, 2018 AND 2017

EXHIBIT I-1

	2018	2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents	111,015	67,308
Receivables and Allowances		
Accounts		
Water and Wastewater Billings	383,934	350,923
Assessments	0	0
Other	0	0
Allowance for Uncollectible Accounts	0	0
Due from Other Funds	47,726	87,290
Bond Issue Cost (Net)	0	0
Prepaid Items	3,515	3,515
Inventory	0	0
Total Current Assets	546,190	509,036
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents		
Meter Deposit Funds	40,206	39,594
Revenue Bond Reserve	19,278	14,827
Sinking Fund- Bonds	0	0
Total Restricted Assets	59,485	54,421
Net Pension Asset (liability)	171,779	80,216
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	185,100	167,594
Total Capital Assets	11,590,481	11,572,974
Less Accumulated Depreciation	(4,392,953)	(4,236,725)
Net Capital Assets	7,197,527	7,336,249
TOTAL ASSETS	7,974,981	7,979,922
Deferred Resource Outflows 68	17,520	52,154
Deferred Resource Outflows 75	2,814	-

CITY OF MATHIS, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
UTILITY FUND
SEPTEMBER 30, 2018 AND 2017

	2018	2017
LIABILITIES		
Current Liabilities		
Accounts Payable	63,479	101,080
Accrued Liabilities	0	0
Compensated Absences	12,053	7,523
Due to Other Funds	22,876	0
Capital Leases Payable	0	0
Current Portion of Revenue Bonds Payable	15,000	14,000
Customer Meter Deposits	93,577	67,021
Total Current Liabilities	206,985	189,624
Long-Term Liabilities		
Net Pension Liability	32,636	0
Capital Leases Payable	0	0
Revenue Bonds Payable	831,000	846,000
Total Long-Term Liabilities	863,636	846,000
Total Liabilities	1,070,621	1,035,624
Deferred Resource Inflows 68	47,854	16,820
Deferred Resource Inflows 75	-	-
NET POSITION		
Invested in Capital Assets	6,411,012	6,530,670
Restricted for:		
Revenue Bond Retirement/Other	19,278	14,827
Unrestricted	446,550	434,135
Net Position	6,876,841	6,979,632

CITY OF MATHIS, TEXAS **EXHIBIT I-2**
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
UTILITY FUND
YEAR ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Charges for Services		
Water Sales	914,701	898,110
Sewer Sales	553,690	513,759
Meter tap/reconnect fees	18,930	19,770
Other Fees and Charges	47,507	171,828
Total Operating Revenues	1,534,829	1,603,467
OPERATING EXPENSES		
Personnel Costs	548,840	521,962
Contracted Services	-	-
Supplies	-	-
Maintenance	-	-
Other Operating Expenses	427,198	520,972
Water Purchased	305,966	228,339
Depreciation	156,236	153,881
Amortization	-	-
Total Operating Expenses	1,438,239	1,425,154
Net Operating Income	96,589	178,313
NON-OPERATING REVENUES (EXPENSES)		
Refunding Bonds Issued	-	-
Payments to Escrow Agents	-	-
Grant Income	5,000	-
Interest Income	1,188	1,154
Interest and Fiscal Charges	(45,369)	(9,429)
Net Non-Operating Revenues (Expenses)	(39,181)	(8,275)
Income Before Transfers	57,408	170,038
Transfers in	-	-
Transfers out	(251,771)	(174,511)
Change in Net Position	(194,363)	(4,473)
Prior Period Adjustment	91,571	-
NET POSITION BEGINNING OF YEAR	6,979,632	6,984,105
NET POSITION END OF YEAR	6,876,841	6,979,632

CITY OF MATHIS, TEXAS **EXHIBIT I-3**
UTILITY FUND
SCHEDULE OF OPERATING REVENUES AND EXPENSES- BY FUND
YEAR ENDED SEPTEMBER 30, 2018

	Utility-Water Fund 80	Utility-Wastewater Fund	Customer Service 90	Meter Deposit	Total
OPERATING REVENUES					
Charges for Services					
Water Sales	911,364	-	-	-	911,364
Sewer Sales	551,405	-	-	-	551,405
Meter Tap/Reconnect Fees/Mtr Deposits	18,930	-	-	-	18,930
Water Taps	3,337	-	-	-	3,337
Sewer Taps	2,285	-	-	-	2,285
Total Charges for Services	1,487,321	-	-	-	1,487,321
Other Fees and Charges					
Delinquent Account Penalties	41,926	-	-	-	41,926
Reimbursement	-	-	-	-	-
Other	5,582	-	-	-	5,582
Total Other Fees and Charges	47,507	-	-	-	47,507
Total Operating Revenues	1,534,829	-	-	-	1,534,829
OPERATING EXPENSES					
Personnel Costs - Water	377,552	-	-	-	377,552
Personnel Costs- Waste Water	171,288	-	-	-	171,288
Contracted Services	-	-	-	-	-
Supplies	-	-	-	-	-
Maintenance	-	-	-	-	-
Other Operating Expenses - Water	307,760	-	-	-	307,760
Other Operating Expenses- Waste Water	119,438	-	-	-	119,438
SUBTOTAL	976,038	-	-	-	976,038
Water Purchased	305,966	-	-	-	305,966
Depreciation	156,236	-	-	-	156,236
Amortization	-	-	-	-	-
Total Operating Expenses	1,438,239	-	-	-	1,438,239
NET OPERATING INCOME	96,589	-	-	-	96,589
NON-OPERATING REVENUES (EXPENSES)					
Refunding Bonds Issued	-	-	-	-	-
Payments to Escrow Agents	-	-	-	-	-
Grant Income	5,000	-	-	-	5,000
Interest Income	1,188	-	-	-	1,188
Interest and Fiscal Charges	(45,369)	-	-	-	(45,369)
Net Non-Operating Revenues (Expenses)	(39,181)	-	-	-	(39,181)
Income Before Transfers	57,408	-	-	-	57,408
Transfers in	-	-	-	-	-
Transfers (out)	(251,771)	-	-	-	(251,771)
Change in Net Position	(194,363)	-	-	-	(194,363)
Prior Period Adjustment	91,571	-	-	-	91,571
NET POSITION BEG. OF YEAR	6,979,632	-	-	-	6,979,632
NET POSITION END OF YEAR	6,876,841	-	-	-	6,876,841

CITY OF MATHIS, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
UTILITY FUND
YEAR ENDED SEPTEMBER 30, 2018 AND 2017

EXHIBIT I-4

	2018	2017
Cash flow from operating activities:		
Cash received from customers	1,541,382	1,495,363
Cash payments to suppliers for goods and services	(721,333)	(796,177)
Cash payments to employees for services	(544,310)	(526,816)
Net cash provided by operating activities	275,739	172,370
Cash flows from noncapital financing activities:		
Net transfers to funds	(251,771)	(174,511)
Net Cash flows from non-capital financing activities	(251,771)	(174,511)
Cash Flows from Capital and Related Financing Activities:		
Net Refunds bonds/costs	-	-
Grant Proceeds	5,000	-
Principal Payment on bonds	(14,000)	(13,000)
Interest and Fiscal Charges Paid	(45,369)	(9,429)
Purchase of Fixed Assets/Bond Costs	(17,506)	(41,913)
Other adjustments	95,490	29,702
Net Cash Used for Capital and Related Financing Activities	23,615	(34,640)
Cash Flows from Investing Activities- Interest Income	1,188	1,154
Net Increase (Decrease) in Cash and Cash Equivalents	48,771	(35,627)
Cash and Cash Equivalents at Beginning of Year	121,729	157,356
CASH AND CASH EQUIVALENTS AT END OF YEAR	170,500	121,729
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	96,589	178,313
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	156,236	153,881
Amortization	0	0
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable (Net)	(33,011)	(19,299)
(Increase) Decrease in Due from Other Funds	39,564	(87,290)
(Increase) Decrease in Due from Other Governments	0	0
(Increase) Decrease in Prepaid Items	0	(1,515)
(Increase) Decrease in Inventory	0	0
Increase (Decrease) in Accounts Payable	(37,601)	101,080
Increase (Decrease) in Accrued Liabilities	0	24,979
Increase (Decrease) in Due to Other Funds	22,876	0
Increase (Decrease) in Capital Leases Payable	0	(172,925)
Increase (Decrease) in Compensated Absences	4,530	(4,854)
Increase (Decrease) in Customer Deposits	26,556	0
Net Cash Provided by Operating Activities	275,739	172,370

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

APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $_____ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _____

Risk Premium: $_____
Member Surplus Contribution: $_____
Total Insurance Payment: $_____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

SPECIMEN

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

SPECIMEN

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