

***CITY OF FERRIS, TEXAS***

**ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended September 30, 2017

**CITY OF FERRIS, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended September 30, 2017

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# YELDELL, WILSON, WOOD & REEVE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Glen Wilson, CPA | Tracie Wood, CPA | Joyce Reeve, CPA  
Glenda Valek, CPA | Caitlyn Keller, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor, City Council and City Manager  
City of Ferris, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ferris, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the City of Ferris, Texas, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and net pension liability information on pages 4-11 and 53-57 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 Ferris, Texas' basic financial statements. The combining and individual fund financial statements and schedules, component unit financial statements, and supplementary financial data are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Honorable Mayor, City Council and City Manager  
City of Ferris, Texas  
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The combining and individual fund financial statements and schedules and component unit financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and component unit financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

A handwritten signature in blue ink that reads "Yeldell, Wilson, Wood & Reeve, P.C.".

Yeldell, Wilson, Wood & Reeve, P.C.  
*Certified Public Accountants*

Ennis, Texas  
May 4, 2018

# **CITY OF FERRIS, TEXAS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

As management of the City of Ferris, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017.

### **Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,072,248 (net position). Of this amount, \$2,085,867 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$140,251.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$1,779,011, an increase of \$52,897 in comparison with the prior year. Approximately 94% of this amount (\$1,672,557) is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,672,557 or 51% of the total general fund expenditures.

### **Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, cultural and recreational, and public works (streets). The business-type activities of the City include water and wastewater operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate economic development corporations for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-13 of this report.

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

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

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

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, which is considered to be a major fund. Data from the other three funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14-17 of this report.



**Proprietary Funds.** The City maintains one type of proprietary fund. The *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses the enterprise fund to account for its water and wastewater operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Wastewater fund, which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-51 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's Schedule of Revenues and Expenditures - Budget and Actual - Major Governmental Funds, the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Contributions. Required supplementary information can be found on page 52-57 of this report.

This report also presents combining and individual fund financial statements and schedules in connection with the nonmajor governmental funds and water and wastewater fund. These combining and individual fund financial statements and schedules can be found on pages 58-65 of this report.

In addition, this report presents fund financial statements and schedules in connection with the Ferris 4A Economic Development Corporation and Ferris 4B Economic Development Corporation. The individual fund financial statement and schedule can be found on pages 66-68 of this report.

### **Government-wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,072,248, at the close of the most recent fiscal year.

# **CITY OF FERRIS' NET POSITION**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Current and other assets	\$ 2,039,108	\$ 2,050,451	\$ 716,575	\$ 547,518	\$ 2,755,683	\$ 2,597,969
Capital assets	7,304,272	7,625,866	2,599,467	2,703,610	9,903,739	10,329,476
Total assets	<u>9,343,380</u>	<u>9,676,317</u>	<u>3,316,042</u>	<u>3,251,128</u>	<u>12,659,422</u>	<u>12,927,445</u>
Deferred outflows of resources	246,700	318,511	25,786	32,464	272,486	350,975
Long-term liabilities	1,829,710	2,231,096	511,927	569,876	2,341,637	2,800,972
Other liabilities	222,453	286,972	171,159	140,497	393,612	427,469
Total liabilities	<u>2,052,163</u>	<u>2,518,068</u>	<u>683,086</u>	<u>710,373</u>	<u>2,735,249</u>	<u>3,228,441</u>
Deferred inflows of resources	110,479	105,288	13,932	12,694	124,411	117,982
Net position:						
Net investment in capital assets	5,787,785	5,781,430	2,114,467	2,212,042	7,902,252	7,993,472
Restricted	84,129	77,651	-	-	84,129	77,651
Unrestricted	1,555,524	1,512,391	530,343	348,483	2,085,867	1,860,874
Total net position	<u>\$ 7,427,438</u>	<u>\$ 7,371,472</u>	<u>\$ 2,644,810</u>	<u>\$ 2,560,525</u>	<u>\$ 10,072,248</u>	<u>\$ 9,931,997</u>

By far, the largest portion of the City's net position (78%) reflects its investments in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (1%) represents resources that are subject to external restriction on how they may be used. The remaining balance of \$2,085,867 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The City's overall net position increased \$140,251 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**CITY OF FERRIS' CHANGES IN NET POSITION**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Revenues:						
Program revenues:						
Charges for services	\$ 476,483	\$ 449,361	\$ 1,315,826	\$ 1,092,097	\$ 1,792,309	\$ 1,541,458
Operating grants and contributions	152,733	83,932	-	3,025	152,733	86,957
Capital grants and contributions	142,329	141,676	-	-	142,329	141,676
General revenues:						
Property taxes	768,197	725,628	-	-	768,197	725,628
Sales taxes	238,417	209,058	-	-	238,417	209,058
Franchise taxes	122,510	119,908	-	-	122,510	119,908
Alcoholic beverage taxes	1,425	1,291	-	-	1,425	1,291
Host fees	1,500,287	1,437,323	-	-	1,500,287	1,437,323
Gas royalty	135,350	181,017	-	-	135,350	181,017
Investment earnings	7,822	7,750	509	484	8,331	8,234
Gain (loss) on sale of capital assets	21,631	328,343	132	-	21,763	328,343
Miscellaneous	29,591	136,165	13,887	-	43,478	136,165
Total revenues	3,596,775	3,821,452	1,330,354	1,095,606	4,927,129	4,917,058
Expenses:						
General government	778,263	832,590	-	-	778,263	832,590
Public safety	1,958,565	1,937,400	-	-	1,958,565	1,937,400
Cultural and recreational	348,746	342,813	-	-	348,746	342,813
Public works	433,132	479,538	-	-	433,132	479,538
Interest on long-term debt	72,103	83,333	-	-	72,103	83,333
Water and wastewater	-	-	1,196,069	1,223,867	1,196,069	1,223,867
Total expenses	3,590,809	3,675,674	1,196,069	1,223,867	4,786,878	4,899,541
Increase (decrease) in net position before transfers	5,966	145,778	134,285	(128,261)	140,251	17,517
Transfers	50,000	76,667	(50,000)	(76,667)	-	-
Increase (decrease) in net position	55,966	222,445	84,285	(204,928)	140,251	17,517
Net position - beginning	7,371,472	7,149,027	2,560,525	2,765,453	9,931,997	9,914,480
Net position - ending	\$ 7,427,438	\$ 7,371,472	\$ 2,644,810	\$ 2,560,525	\$ 10,072,248	\$ 9,931,997

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$55,966 from the prior fiscal year for an ending balance of \$7,427,438.

- Host fees increased by \$62,964 (4.38%) during the year. The majority of this increase is the product of the landfill increasing its hours of operation.
- Gain on sale of capital assets decreased to \$306,712 as the result of the City's sale of property during the prior year.
- Miscellaneous revenue decreased by \$106,574 (78.27%) during the year. The majority of this decrease is the product of insurance proceeds received related to damage incurred by the City's fire and police station in the prior year.

**Business-type Activities.** For the City's business-type activities, the current fiscal year resulted in a net increase in net position to an ending balance of \$2,644,810. The total increase in net position for business-type activities (water and wastewater operations) was \$84,285 from the prior fiscal year. Revenues from charges for services increased 20.49% (\$223,729) due to an increase in rates. Total expenses decreased 2.27% (\$27,798) in the current fiscal year due to a decrease in repairs and maintenance.

## **Financial Analysis of Governmental Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

At September 30, 2017, the City's governmental funds reported combined fund balances of \$1,779,011, an increase of \$52,897 in comparison with the prior year. Approximately 94.0% of this amount (\$1,672,557) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable or restricted to indicate that it is 1) not in spendable form (\$22,325) or 2) restricted for particular purposes (\$84,129).

The General fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,672,557, while total fund balance increased to \$1,695,707. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General fund expenditures. Unassigned fund balance represents approximately 50.67 percent of total General fund expenditures, while total fund balance represents approximately 51.37 percent of that same amount.

The fund balance of the City's General fund increased \$46,346 during the current fiscal year.

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

Unrestricted net position of the Water and Wastewater fund at the end of the year amounted to \$530,343. Net position increased in 2017 by \$84,285. Other factors concerning the finances of this fund have already been addressed in the analysis of the City's operations.

## General Fund Budgetary Highlights

**Original budget compared to final budget.** During the year, the City increased the original estimated expenditures of the general fund by \$289,723. This was offset with an increase revenues and the use of existing fund balance.

**Final budget compared to actual results.** General fund budgeted revenues of \$3,137,486 exceeded actual revenues of \$3,070,007 by \$67,479.

- The fines and forfeitures decrease of \$186,319 (32.7%) is primarily due to less citations issued than were budgeted due to a turnover in police department personnel.
- The host fee increase of \$73,748 (5.3%) is due to the landfill increasing its hours of operation.
- The intergovernmental decrease of \$39,926 (22.75%) is result of a budgeted project that did not being during the year.

Budgeted general fund expenditures of \$3,480,400 exceeded actual expenditures of \$3,169,143 by \$311,257. This positive variance in expenditures was achieved through a series of expenditure restrictions imposed during the year.

## Capital Assets and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017 amounts to \$9,903,739 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment and infrastructure. The total decrease in capital assets for the current fiscal year was approximately 4.12%.

### City of Ferris' Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 553,827	\$ 495,734	\$ 27,817	\$ 27,817	\$ 581,644	\$ 523,551
Construction in progress	44,643	7,658	-	-	44,643	7,658
Buildings	1,365,412	1,506,959	41,826	40,925	1,407,238	1,547,884
Improvements	134,123	151,886	2,477,101	2,563,665	2,611,224	2,715,551
Machinery and equipment	505,842	537,240	52,723	71,203	558,565	608,443
Infrastructure	4,700,425	4,926,389	-	-	4,700,425	4,926,389
Total	\$ 7,304,272	\$ 7,625,866	\$ 2,599,467	\$ 2,703,610	\$ 9,903,739	\$ 10,329,476

Major capital asset events during the current fiscal year included the following:

- Land additions of approximately \$58,000.
- Construction in progress additions of approximately \$37,000.
- Machinery and equipment purchases of approximately \$150,000.
- Machinery and equipment disposals of approximately \$96,000.
- Improvements other than buildings of approximately \$67,000

Additional information on the City's capital assets can be found in note 2.D on pages 32-33 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had a total bonded debt of \$2,005,000. This amount is backed by the full faith and credit of the government.

**City of Ferris' Outstanding Debt**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Certificates of obligation	\$ 1,000,000	\$ 1,090,000	\$ 485,000	\$ 530,000	\$ 1,485,000	\$ 1,620,000
Tax and revenue refunding bonds	520,000	765,000	-	-	520,000	765,000
<b>Total</b>	<b>\$ 1,520,000</b>	<b>\$ 1,855,000</b>	<b>\$ 485,000</b>	<b>\$ 530,000</b>	<b>\$ 2,005,000</b>	<b>\$ 2,385,000</b>

Additional information on the City of Ferris' long term-debt can be found in note 2.H on pages 37-40 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

In the 2017-18 Adopted Budget, all combined revenue sources less expenditures leave the City with positive fund balances. The City continues to focus on revenue diversification, stabilization, and enhancement. General Fund revenues increased 9% from the 2016-17 budget year. Host fees from Waste Management total about 47% of the General Fund budgeted revenues and the City continues to anticipate an increase in revenue due to steady utilization of the service and the landfill operating 24 hours a day. Ferris' overall assessed value of property increased by \$13,199,118 creating an increase of 12% in property taxes collected while our ad valorem tax rate remained unchanged. The City is looking to utilize its AA- rating to address aging infrastructure. A continued priority for fiscal year 2018 is in economic development initiatives aimed at increasing the tax base of the City. As such Ferris has aggressively pursued Economic Development through the Type A and Type B Economic Development Corporations.

The Utility Fund is another area of focus for 2017-18 as diminished water quality will cause an increased amount of water purchase from Rockett Special Utility District which will have a negative impact on current rates.

### **Request for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Secretary, 100 Town Plaza, Ferris, Texas 75125.

**CITY OF FERRIS, TEXAS**  
**STATEMENT OF NET POSITION**  
September 30, 2017

				Component Units	
				Ferris 4A	Ferris 4B
	Governmental	Business-type	Total	Economic Development Corporation	Economic Development Corporation
	Activities	Activities			
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,477,425	\$ 564,902	\$ 2,042,327	\$ 698,810	\$ 220,118
Receivables (net of allowance for uncollectibles)	539,358	145,067	684,425	-	-
Due from primary government	-	-	-	13,747	23,747
Inventories	582	2,241	2,823	-	-
Prepaid items	21,743	4,365	26,108	-	-
Capital assets:					
Non-depreciable	598,470	27,817	626,287	18,000	-
Depreciable (net of accumulated depreciation)	6,705,802	2,571,650	9,277,452	1,359	-
Total Assets	9,343,380	3,316,042	12,659,422	731,916	243,865
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charge on refunding	29,409	-	29,409	-	-
Pension contributions after measurement date	69,817	8,761	78,578	-	-
Changes in actuarial assumptions	11,454	1,327	12,781	-	-
Difference in expected and actual pension experience	37	-	37	-	-
Difference in projected and actual earnings on pension assets	135,983	15,698	151,681	-	-
Total Deferred Outflows of Resources	246,700	25,786	272,486	-	-
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	146,126	72,188	218,314	750	1,000
Accrued payroll payable	34,004	4,687	38,691	-	-
Accrued interest payable	4,829	1,787	6,616	-	-
Due to component units	37,494	-	37,494	-	-
Customer deposits payable	-	92,497	92,497	-	-
Noncurrent liabilities:					
Due within one year	402,445	45,526	447,971	-	-
Due in more than one year	1,427,265	466,401	1,893,666	-	-
Total Liabilities	2,052,163	683,086	2,735,249	750	1,000
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Difference in expected and actual pension experience	110,479	13,932	124,411	-	-
Total Deferred Inflows of Resources	110,479	13,932	124,411	-	-
<b>NET POSITION</b>					
Net investment in capital assets	5,787,785	2,114,467	7,902,252	19,359	-
Restricted for:					
Debt service	46,878	-	46,878	-	-
Economic development	-	-	-	711,807	242,865
Public safety	37,251	-	37,251	-	-
Unrestricted	1,555,524	530,343	2,085,867	-	-
Total Net Position	\$ 7,427,438	\$ 2,644,810	\$ 10,072,248	\$ 731,166	\$ 242,865

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

**CITY OF FERRIS, TEXAS**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2017

Function/Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Ferris 4A Economic Development Corporation	Ferris 4B Economic Development Corporation
<b>Primary government:</b>									
Governmental activities:									
General government	\$ 778,263	\$ 74,955	\$ 119,745	\$ -	\$ (583,563)	\$ -	\$ (583,563)	\$ -	\$ -
Public safety	1,958,565	401,528	25,788	117,329	(1,413,920)	-	(1,413,920)	-	-
Cultural and recreational	348,746	-	7,200	-	(341,546)	-	(341,546)	-	-
Public works	433,132	-	-	25,000	(408,132)	-	(408,132)	-	-
Interest on long-term debt	72,103	-	-	-	(72,103)	-	(72,103)	-	-
Total governmental activities	3,590,809	476,483	152,733	142,329	(2,819,264)	-	(2,819,264)	-	-
Business-type activities:									
Water and wastewater	1,196,069	1,315,826	-	-	-	119,757	119,757	-	-
Total business-type activities	1,196,069	1,315,826	-	-	-	119,757	119,757	-	-
Total primary government	\$4,786,878	\$ 1,792,309	\$ 152,733	\$ 142,329	(2,819,264)	119,757	(2,699,507)	-	-
<b>Component Units</b>									
Ferris 4A Economic Development Corporation	\$ 57,032	\$ -	\$ -	\$ -				(57,032)	-
Ferris 4B Economic Development Corporation	70,714	-	-	-				-	(70,714)
Total component units	\$ 57,032	\$ -	\$ -	\$ -				(57,032)	(70,714)
General revenues:									
Property taxes					768,197	-	768,197	-	-
Sales taxes					238,417	-	238,417	119,208	119,208
Franchise taxes					122,510	-	122,510	-	-
Alcoholic beverage taxes					1,425	-	1,425	-	-
Host fees					1,500,287	-	1,500,287	-	-
Gas royalty					135,350	-	135,350	-	-
Investment earnings					7,822	509	8,331	1,319	395
Gain on disposal of capital asset					21,631	132	21,763	-	-
Miscellaneous					29,591	13,887	43,478	-	-
Transfers					50,000	(50,000)	-	-	-
Total general revenues and transfers					2,875,230	(35,472)	2,839,758	120,527	119,603
Change in net position					55,966	84,285	140,251	63,495	48,889
Net position - beginning					7,371,472	2,560,525	9,931,997	667,671	193,976
Net position - ending					\$ 7,427,438	\$ 2,644,810	\$10,072,248	\$ 731,166	\$ 242,865

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



**CITY OF FERRIS, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2017

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,393,968	\$ 83,457	\$ 1,477,425
Receivables (net of allowance for uncollectibles)	539,358	-	539,358
Due from other funds	-	28	28
Prepaid items	21,743	-	21,743
Inventories	582	-	582
Total assets	<u>\$ 1,955,651</u>	<u>\$ 83,485</u>	<u>\$ 2,039,136</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 145,945	\$ 181	\$ 146,126
Accrued payroll payable	34,004	-	34,004
Due to other funds	28	-	28
Due to component units	37,494	-	37,494
Total liabilities	<u>217,471</u>	<u>181</u>	<u>217,652</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	<u>42,473</u>	<u>-</u>	<u>42,473</u>
<b>FUND BALANCES</b>			
<b>Nonspendable:</b>			
Prepaid items	21,743	-	21,743
Inventories	582	-	582
<b>Restricted:</b>			
Debt service	-	46,878	46,878
Public safety	825	36,426	37,251
<b>Unassigned</b>	1,672,557	-	1,672,557
Total fund balances	<u>1,695,707</u>	<u>83,304</u>	<u>1,779,011</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,955,651</u>	<u>\$ 83,485</u>	<u>\$ 2,039,136</u>

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

**CITY OF FERRIS, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**September 30, 2017**

Amounts reported for governmental activities in the statement of net position (page 12) are different because:

Total fund balances - governmental funds (page 14)		\$ 1,779,011
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,304,272
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		42,473
Deferred outflows of resources are not reported in the governmental funds:		
Deferred charge on refunding	\$ 29,409	
Pension contributions after measurement date	69,817	
Changes in actuarial assumptions	11,454	
Difference in expected and actual pension experience	37	
Difference in projected and actual earnings on pension assets	<u>135,983</u>	246,700
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.		(4,829)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Due within one year	(402,445)	
Due in more than one year	<u>(1,427,265)</u>	(1,829,710)
Deferred outflows of resources are not reported in the governmental funds:		
Difference in expected and actual pension experience		<u>(110,479)</u>
Net position of governmental activities (page 12)		<u><u>\$ 7,427,438</u></u>

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

**CITY OF FERRIS, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended September 30, 2017

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Property taxes	\$ 485,288	\$ 283,537	\$ 768,825
Sales taxes	238,417	-	238,417
Franchise taxes	122,510	-	122,510
Alcoholic beverage taxes	1,425	-	1,425
Licenses and permits	74,955	-	74,955
Fines and forfeitures	385,829	15,699	401,528
Host fee	1,500,287	-	1,500,287
Gas royalty	135,350	-	135,350
Revenues from use of money and property	7,651	171	7,822
Other	15,709	1,291	17,000
Intergovernmental	139,560	-	139,560
Contributions and donations	155,502	-	155,502
Total revenues	<u>3,262,483</u>	<u>300,698</u>	<u>3,563,181</u>
<b>EXPENDITURES</b>			
Current:			
General government	805,700	-	805,700
Public safety	1,857,252	24,892	1,882,144
Cultural and recreational	224,118	-	224,118
Public works	281,584	-	281,584
Debt service:			
Principal retirement	90,000	245,000	335,000
Interest and fiscal charges	42,113	23,847	65,960
Total expenditures	<u>3,300,767</u>	<u>293,739</u>	<u>3,594,506</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(38,284)</u>	<u>6,959</u>	<u>(31,325)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	50,408	-	50,408
Transfers out	-	(408)	(408)
Insurance proceeds	12,591	-	12,591
Proceeds from sale of capital assets	21,631	-	21,631
Total other financing sources (uses)	<u>84,630</u>	<u>(408)</u>	<u>84,222</u>
Net change in fund balances	46,346	6,551	52,897
Fund balances - beginning	<u>1,649,361</u>	<u>76,753</u>	<u>1,726,114</u>
Fund balances - ending	<u>\$ 1,695,707</u>	<u>\$ 83,304</u>	<u>\$ 1,779,011</u>

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

**CITY OF FERRIS, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2017

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net Change in Fund Balances - total governmental funds (page 16)		\$ 52,897
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period.		245,086
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.		(566,680)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Bond principal retirement	\$ 335,000	
Amortization of bond premiums/discounts	2,751	
Amortization of bond refunding losses	<u>(9,803)</u>	327,948
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. Change in accrued interest.		908
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(628)
Pension contributions are recorded as expenditures in the governmental funds. However, in the statement of activities, these contributions are converted to the full accrual GASBS 68 pension amounts.		
Pension contributions after measurement date	(14,087)	
Changes in actuarial assumptions	(6,452)	
Difference in expected and actual pension experience	(5,154)	
Difference in projected and actual earnings on pension assets	<u>(41,507)</u>	(67,200)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	(7,858)	
Net pension liability	<u>71,493</u>	<u>63,635</u>
Change in net position of governmental activities (page 13)		<u><u>\$ 55,966</u></u>

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

**CITY OF FERRIS, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
September 30, 2017

	<b>Business-type Activities - Enterprise (Water and Wastewater) Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 564,902
Receivables (net of allowance for uncollectibles)	145,067
Inventories	2,241
Prepaid items	4,365
Total current assets	<u>716,575</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	<u>2,599,467</u>
Total noncurrent assets	<u>2,599,467</u>
Total assets	<u>3,316,042</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension contributions after measurement date	8,761
Changes in actuarial assumptions	1,327
Difference in projected and actual earnings on pension assets	<u>15,698</u>
Total deferred outflows of resources	<u>25,786</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	72,188
Accrued payroll payable	4,687
Accrued interest payable	1,787
Compensated absences	526
Customer deposits payable	92,497
Bonds payable	<u>45,000</u>
Total current liabilities	<u>216,685</u>
Noncurrent liabilities:	
Net pension liability	26,401
Bonds payable	<u>440,000</u>
Total noncurrent liabilities	<u>466,401</u>
Total liabilities	<u>683,086</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Difference in expected and actual pension experience	<u>13,932</u>
Total deferred inflows of resources	<u>13,932</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,114,467
Unrestricted	<u>530,343</u>
Total net position	<u>\$ 2,644,810</u>

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

**CITY OF FERRIS, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
For the Fiscal Year Ended September 30, 2017

	<b>Business-type Activities - Enterprise (Water and Wastewater) Fund</b>
<b>OPERATING REVENUES</b>	
Water sales	\$ 662,322
Wastewater service	487,686
Miscellaneous	165,818
Total operating revenues	<u>1,315,826</u>
<b>OPERATING EXPENSES</b>	
Water and wastewater	994,981
Depreciation	177,932
Total operating expenses	<u>1,172,913</u>
Operating income	<u>142,913</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	509
Insurance proceeds	13,887
Gain on sale of assets	132
Interest and fiscal charges	(23,156)
Total nonoperating revenue (expenses)	<u>(8,628)</u>
Income before transfers	134,285
Transfer out	<u>(50,000)</u>
Change in net position	84,285
Net position - beginning	2,560,525
Net position - ending	<u><u>\$ 2,644,810</u></u>

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

**CITY OF FERRIS, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Fiscal Year Ended September 30, 2017

	<b>Business-type Activities - Enterprise (Water and Wastewater) Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 1,290,752
Payments to suppliers	(721,266)
Payments to employees	(237,439)
Net cash provided by (used for) operating activities	<u>332,047</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	(50,000)
Insurance proceeds	13,887
Net cash provided by (used for) noncapital financing activities	<u>(36,113)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(73,789)
Proceeds from sale of capital assets	132
Principal paid on bond maturities	(45,000)
Interest and fiscal charges paid on bonds	(23,322)
Net cash provided by (used for) capital and related financing activities	<u>(141,979)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	509
Net cash provided by investing activities	<u>509</u>
Net increase in cash and cash equivalents	154,464
Cash and cash equivalents October 1 (including \$38,432 reported in restricted accounts)	<u>410,438</u>
Cash and cash equivalents September 30	<u><u>\$ 564,902</u></u>
<b>Reconciliation of operating income to net cash provided by (used for) operating activities:</b>	
Operating income	\$ 142,913
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	177,932
(Increase) decrease in accounts receivable	(17,819)
(Increase) decrease in inventories	7,591
(Increase) decrease in prepaid expenses	(4,365)
(Increase) decrease in pension related deferred outflows	6,678
Increase (decrease) in accounts payable	36,744
Increase (decrease) in accrued payroll payable	1,339
Increase (decrease) in compensated absences	(5,973)
Increase (decrease) in customer deposits	(7,255)
Increase (decrease) in pension related deferred inflows	1,238
Increase (decrease) in net pension liability	(6,976)
Total adjustments	<u>189,134</u>
Net cash provided by (used for) operating activities	<u><u>\$ 332,047</u></u>

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

**CITY OF FERRIS, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of government-wide financial statements**

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

**B. Reporting entity**

The City of Ferris, Texas (the "City") is a general law municipality and was incorporated 1874. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units.

***Discretely presented component units.*** The Corporations described below are included in the City's reporting entity because the City appoints the governing body and the Corporations are fiscally dependent on the City. The Corporations are reported as discretely presented component units since the governing body is not substantively the same as the governing body of the City, and they provides services to the citizens of Ferris and the surrounding area as opposed to only the primary government. To emphasize that they are legally separate from the City, they are reported in separate columns in the financial statements.

The *Ferris 4A Economic Development Corporation* was created under Section 4A of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended, and is responsible for collecting and disbursing the one-fourth percent sales tax to be used for economic development within the City. The members of the Corporation's board are appointed by the City. The Corporation is presented as a governmental fund type and has a September 30 year-end.



**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Reporting entity (continued)**

The *Ferris 4B Economic Development Corporation* was created under Section 4B of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended, and is responsible for collecting and disbursing the one-fourth percent sales tax to be used for economic development within the City. The members of the Corporation's board are appointed by the City. The Corporation is presented as a governmental fund type and has a September 30 year-end.

Separate financial statements for the Corporations are not issued.

**C. Basis of presentation - government-wide financial statements**

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

As discussed earlier, the City has discretely presented component units. The Ferris 4A Economic Development Corporation and Ferris 4B Economic Development Corporation are considered to be major component units and are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**D. Basis of presentation - fund financial statements**

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF FERRIS, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of presentation - fund financial statements (continued)**

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

The *water and wastewater fund* accounts for the activities of the City's water distribution and wastewater collection system.

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

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

**E. Measurement focus and basis of accounting**

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

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

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Measurement focus and basis of accounting (continued)**

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

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

**F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

**1. Cash and cash equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and all highly liquid investments (including restricted assets) with a maturity of three months or less from the date of acquisition.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)**

***2. Receivables and Allowances for Doubtful Accounts***

All trade and property tax receivables are shown net of an allowance for uncollectibles. All past due trade accounts receivables comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is the lesser of .2 percent of the tax levy for each fiscal year or the outstanding property taxes for each fiscal year at year end.

***3. Inventories and prepaid items***

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

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

***4. Capital assets***

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year.

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

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. The amount of interest capitalized depends on the specific circumstances.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)**

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings	30-40
Improvements	10-30
Machinery and equipment	5-15
Infrastructure	15-40

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources reported in this year's financial statements include (1) a deferred outflow of resources related to changes in actuarial assumptions of the City's defined benefit pension plan, (2) a deferred outflow of resources for contributions made to the City's defined benefit pension plan between the measurement date of the net pension liabilities from that plan and the end of the City's fiscal year, (3) deferred outflows of resources related to the differences between the projected and actual investment earnings for the City's multiple-employer defined benefit plan, (4) deferred outflow of resources related to the difference between expected and actual experience data used by the actuary, and (5) deferred charge on refunding. Deferred outflows for changes in actuarial assumptions is attributed to pension expense over a total of 5.0 years. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The differences between the projected and actual investment earnings are attributed to pension expense over a total of 5 years, including the current year. The deferred outflow of resources related to the difference between expected and actual experience data used by the actuary is attributed to pension expense over a total of 5.0 years, including the current year. deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. No deferred outflows of resources affect the governmental funds financial statements in the current year.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the City's various statements of net position for the difference between expected and actual experience data used by the actuary. This deferred inflow of resources is attributed to pension expense over a total of 1.36 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenue from property taxes is reported in the governmental funds balance sheet.

**6. Long-term obligations**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**7. Net position flow assumption**

Net position represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

**CITY OF FERRIS, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)**

*Net investment in capital assets* —This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

*Restricted net position* —This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted net position* —This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

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

**8. Fund balance flow assumption**

The governmental fund financial statements present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

*Nonspendable fund balance*—amounts that are not in spendable form (such as inventories and prepaid items) or are required to be maintained intact.

*Restricted fund balance*—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

*Committed fund balance*—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Councils). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)**

*Assigned fund balance*—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

*Unassigned fund balance*—amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

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

In the general fund, the City's underlying and overriding financial reserve strategy is to maintain the unassigned fund balance at a level of 20% of annual operating expenditures, excluding capital expenditures.

**G. Revenues and expenditures/expenses**

**1. *Program revenues***

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



**CITY OF FERRIS, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Revenues and expenditures/expenses (continued)**

**2. *Property taxes***

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Ellis Appraisal District as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Ellis County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected.

**3. *Compensated absences***

The City's policy permits employees to accumulate earned but unused vacation pay benefits. The liability for such unused vacation is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Unused vacation shall be taken during the year following its accumulation.

**4. *Proprietary funds operating and nonoperating revenues and expenses***

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

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Revenues and expenditures/expenses (continued)**

**5. 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 and the Texas Emergency Services Retirement System (Systems) and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. 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.

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Cash deposits with financial institutions**

*Custodial credit risk-deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully insured or collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year-end, the City's bank balance was \$2,146,721. Of the bank balance, \$411,763 was covered by federal depository insurance and the remaining balance, \$1,734,958 was covered by collateral pledged in the City's name. The collateral was held in the City's name by the safekeeping departments of the pledging bank's agent and had a fair value of approximately \$2,336,000.

**B. Investments**

*Investments.* Public funds of the City of Ferris may be invested in the following: (1) obligations of the United States of America, its agencies and instrumentalities, (2) direct obligations of the State of Texas and agencies thereof, (3) other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas and United States of America, (4) obligations of the States, agencies thereof, Counties, Cities and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than "A" or its equivalent; (5) certificates of deposit of state and national banks domiciled in Texas, guaranteed or insured by the Federal Deposit Insurance or its successor or secured by obligations described in 1 through 4 above, (6) fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities pledged with a third party, and (7) joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**C. Receivables**

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general and water and wastewater funds in the aggregate, including the applicable allowances for uncollectible accounts:

<b>Receivables:</b>	<b>General</b>	<b>Water and Wastewater</b>	<b>Total</b>
Taxes	\$ 158,403	\$ -	\$ 158,403
Accounts	-	178,935	178,935
Other	398,050	-	398,050
Gross receivables	556,453	178,935	735,388
Less: allowance for uncollectibles	(17,095)	(33,868)	(50,963)
Net receivables	<u>\$ 539,358</u>	<u>\$ 145,067</u>	<u>\$ 684,425</u>

**D. Capital assets**

Capital asset activity for the year ended September 30, 2017, was as follows:

**Governmental activities:**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 495,734	\$ 58,093	\$ -	\$ 553,827
Construction in progress	7,658	36,985	-	44,643
Total capital assets not being depreciated	<u>503,392</u>	<u>95,078</u>	<u>-</u>	<u>598,470</u>
Capital assets being depreciated:				
Buildings	2,049,528	-	-	2,049,528
Improvements	179,170	-	-	179,170
Machinery and equipment	2,183,211	150,008	(95,712)	2,237,507
Infrastructure	7,423,957	-	-	7,423,957
Totals capital assets being depreciated	<u>11,835,866</u>	<u>150,008</u>	<u>(95,712)</u>	<u>11,890,162</u>
Less accumulated depreciation for:				
Buildings	(542,569)	(141,547)	-	(684,116)
Improvements	(27,284)	(17,763)	-	(45,047)
Machinery and equipment	(1,645,971)	(181,406)	95,712	(1,731,665)
Infrastructure	(2,497,568)	(225,964)	-	(2,723,532)
Total accumulated depreciation	<u>(4,713,392)</u>	<u>(566,680)</u>	<u>95,712</u>	<u>(5,184,360)</u>
Total capital assets, being depreciated, net	<u>7,122,474</u>	<u>(416,672)</u>	<u>-</u>	<u>6,705,802</u>
Governmental activities capital assets, net	<u>\$ 7,625,866</u>	<u>\$ (321,594)</u>	<u>\$ -</u>	<u>\$ 7,304,272</u>

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**D. Capital assets (continued)**

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

**Governmental activities:**

General government	\$ 27,896
Public safety	224,429
Cultural and recreational	133,102
Public works	181,253
Total depreciation expense - governmental activities	<u>\$ 566,680</u>

**Business-type activities:**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 27,817	\$ -	\$ -	\$ 27,817
Total capital assets not being depreciated	<u>27,817</u>	<u>-</u>	<u>-</u>	<u>27,817</u>
Capital assets being depreciated:				
Buildings	172,776	6,500	-	179,276
Improvements	5,881,969	67,289	-	5,949,258
Machinery and equipment	322,262	-	-	322,262
Total capital assets being depreciated	<u>6,377,007</u>	<u>73,789</u>	<u>-</u>	<u>6,450,796</u>
Less accumulated depreciation for:				
Buildings	(131,851)	(5,599)	-	(137,450)
Improvements	(3,318,304)	(153,853)	-	(3,472,157)
Machinery and equipment	(251,059)	(18,480)	-	(269,539)
Total accumulated depreciation	<u>(3,701,214)</u>	<u>(177,932)</u>	<u>-</u>	<u>(3,879,146)</u>
Total capital assets being depreciated, net	<u>2,675,793</u>	<u>(104,143)</u>	<u>-</u>	<u>2,571,650</u>
Business-type capital assets, net	<u>\$ 2,703,610</u>	<u>\$ (104,143)</u>	<u>\$ -</u>	<u>\$2,599,467</u>

As of September 30, 2017, the City has active construction projects for Yellow Jacket Trail, a municipal building, and water improvements. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining commitment</u>
Yellow Jacket Trail	\$ 35,756	\$ 376,018
Municipal building	8,887	1,113
Water improvements	-	74,750
	<u>\$ 44,643</u>	<u>\$ 451,881</u>

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**E. Significant commitments**

The City has entered into a contract with the Trinity River Authority of Texas (Authority) – Ten Mile Regional Wastewater System to obtain wastewater treatment services, expiring in 2036. In the contract, the Authority agreed to acquire and construct a regional wastewater treatment system to serve the City and other contractual parties, in the area of the watershed or drainage basin of Red Oak Creek, being a tributary of the Trinity River, and located in Ellis and Dallas Counties, Texas. The Trinity River Authority is a governmental agency, which is controlled by directors appointed by the governor.

The City is responsible for a proportionate share of the system's annual operation, maintenance and debt service costs for the term of the contract. These costs are determined annually and are payable in monthly installments. The estimated future contracted payments due under the contract as of September 30, 2017 are shown below:

<b><u>Year Ending September 30</u></b>	<b><u>Monthly</u></b>	<b><u>Annual</u></b>
2018	24,429	293,148
2019	24,704	296,448
2020	25,214	302,568
2021	25,696	308,352
2022	26,174	314,088
2023-2027	139,303	1,671,636
2028-2032	125,312	1,503,744
2033-2036	126,785	1,521,420
	<u>\$ 517,617</u>	<u>\$ 6,211,404</u>

Expenses incurred for the year ended September 30, 2017 were \$264,134. The payments to be received from the City of Ferris, Texas are used as collateral for the bonds issued by TRA to construct the facility.

The City has entered into a contract with the Authority whereby the City acquired the right to purchase .72 million gallons per day (MGD) of water annually from the Authority through its raw water supply contract with Tarrant County Water Control and Improvement District Number One. The contract is for a period of forty years commencing December 1, 1991 and ending November 30, 2031. The Authority is a governmental agency, which is controlled by directors appointed by the governor. The City agreed to pay to the Authority \$60 each month increasing \$1.50 per month each fiscal year for the Authority's costs and expenses of administering the contract. A current schedule of estimated future contractual payments due the Authority is shown below:

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**E. Significant commitments (continued)**

<b><u>Year Ending September 30</u></b>	<b><u>Amount</u></b>
2018	\$ 3,564
2019	3,618
2020	3,672
2021	3,726
2022	3,780
2023-2027	19,710
2028-2031	16,740
	<u><u>\$ 54,810</u></u>

The City has entered into an agreement with the Authority whereby the Authority will provide inspection, sampling, and analytical services for the City for a period of five years commencing October 1, 2015 and expiring September 30, 2020. Total payment from the City to the Authority will not exceed \$75,000 for the period of this contract and shall not exceed \$15,000 per year.

Complete separate financial statements for the Trinity River Authority may be obtained at Trinity River Authority of Texas, 5300 South Collins, P.O. Box 60, Arlington, Texas 76004.

The City has entered into a contract with Rockett Special Utility District (the "District") whereby the District agrees to sell treated water to the City. The contract requires the City to purchase at least an average of 100,000 gallons per day on an annualized basis whether or not the City actually takes and utilizes said water amount. The contract is for a period of twenty years commencing October 15, 2012 and ending October 14, 2032.

A schedule of future minimum payments due the District at the current rate of \$4.99 per thousand gallons is shown below:

<b><u>Year Ending September 30</u></b>	<b><u>Amount</u></b>
2018	\$ 182,135
2019	185,785
2020	189,435
2021	195,275
2022	195,275
2023-2027	976,375
2028-2032	976,375
	<u><u>\$ 2,900,655</u></u>

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**E. Significant commitments (continued)**

Incurred expenses for the year ended September 30, 2017 were \$196,590.

The City has entered into a contract with CareFlite to provide EMS ambulance services, effective October 1, 2013 and expiring September 30, 2018. Costs are determined annually and are payable in monthly installments. The City has agreed to pay CareFlite on an annual basis at a rate of \$36,000 per year, which shall be paid in twelve equal monthly installments.

The City has entered into a noncancellable operating lease for modular building to serve as police and fire department offices, effective February 26, 2016 and expiring February 26, 2018. During the current year, the lease term was extended to February 19, 2019. The lease term future minimum operating lease commitments are as follows:

<b><u>Year Ending</u></b> <b><u>September 30</u></b>	<b><u>Amount</u></b>
2018	\$ 31,885
2019	12,750
	<u>\$ 44,635</u>

Expenses incurred for the year ended September 30, 2017 were \$34,753.

**F. Tax abatements**

The City is authorized by Texas Tax Code Chapter 312 Property Redevelopment and Tax Abatement Act (Tax Abatement Act) to enter into property tax abatement agreements as an economic development tool available to cities to attract new industries and to encourage the retention and development of existing businesses through property tax exemptions or reductions. Tax abatements, which can range from ten percent to one hundred percent of property tax on the value of the property improvement with a duration of up to ten years, may be established upon property located in reinvestment zones established by the City. The threshold criteria used for the abatement include a minimum required capital investment over \$100,000. Violations of the terms of the tax abatement agreement by the tax abatement recipient may result in the full or partial loss of the abatement and give rise to a right of the City to recoup taxes abated, provide for a delinquency date and assess penalties and interest. The City Council establishes the criteria and guidelines that govern all tax abatement agreements including the percentage amount and duration of the tax abatement, a period up to ten years. The market value of the property is reduced by the exempted amount under the agreement to arrive at the taxable value used to bill the property owner.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**F. Tax abatements (continued)**

<b><u>Tax Abatement Program</u></b>	<b><u>Amount Abated</u></b>
Tax Abatement Act	<u>\$ 6,306</u>

The City also enters into Economic Development Agreements to promote local economic development and to stimulate business and commercial activity in the City. These agreements include provisions for repayment if the recipient fails to fully meet its commitments. The City's agreements were as follows at September 30, 2017:

An agreement to make a grant in an amount not to exceed \$65,728 to Pizza Hut of America, Inc. to construct drainage improvements to real property. Grant payments are to be 100% of the City's 1% sales and use tax generated by and attributed solely to sales from the property, not to exceed \$30,000 per year. In addition the grant payments are to be a portion of projected ad valorem taxes collected over the term of the agreement, not to exceed \$5,000 per year. The incentive period began March 2012 and shall continue until May 1, 2022 or until the aggregate payments total \$65,728, whichever is sooner. The abatement amounted to \$11,790 for the fiscal year ended September 30, 2017 and made the total payments under the agreement \$65,728.

**G. Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**H. Long-term liabilities**

**Certificates of Obligation**

The City issues certificates of obligation to provide fund for the acquisition and construction of major capital facilities. Certificates of obligation have been issued for governmental and business-type activities. Certificates of obligation are direct obligations and pledge the full faith and credit of the government and are further secured by and payable from a pledge of the surplus net revenues derived from the operation of the City's water and wastewater system.



**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**H. Long-term liabilities (continued)**

Certificates of obligation currently outstanding and reported as liabilities of the City's governmental activities are:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2011	\$ 1,500,000	3/1/2026	2.00-4.25%	<u>\$ 1,000,000</u>

Certificates of obligation currently outstanding and reported as liabilities of the City's business-type activities are:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2006	\$ 850,000	3/1/2026	4.60%	<u>\$ 485,000</u>

**Tax and Revenue Refunding Bonds**

In a prior year, the City issued bonds in a partial refunding of certificates of obligation to reduce total future debt service payments.

Tax and revenue refunding bonds currently outstanding and reported as liabilities on the City's governmental activities are:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2005	\$ 2,355,000	3/1/2019	3.71%	<u>\$ 520,000</u>

**Compensated Absences -**

Compensated absences represent the estimated liability for employees' paid time off benefits for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund and Water and Wastewater Fund based on the assignment of an employee at termination.

**Net Pension Liability -**

The net pension liability represents the liability for employees' for projected pension benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service less the amount of the pension plan's fiduciary net position.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**H. Long-term liabilities (continued)**

Changes in Long-term Liabilities –

Changes in the government's long-term liabilities for the year ended September 30, 2017 are as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
Bonds payable:					
Certificates of obligation	\$ 1,090,000	\$ -	\$ (90,000)	\$ 1,000,000	\$ 95,000
Tax and revenue refunding	765,000	-	(245,000)	520,000	255,000
Less deferred amounts:					
For issuance					
discount/premium	28,647	-	(2,751)	25,896	-
Total bonds payable	1,883,647	-	(337,751)	1,545,896	350,000
Compensated absences	44,587	44,593	(36,735)	52,445	52,445
Net pension liability	302,862	-	(71,493)	231,369	-
Governmental activity					
Long-term liabilities	<u>\$ 2,231,096</u>	<u>\$ 44,593</u>	<u>\$ (445,979)</u>	<u>\$ 1,829,710</u>	<u>\$ 402,445</u>

Certificates of obligation and tax and revenue refunding bonds issued for governmental activity purposes are liquidated by the General fund and Debt Service fund. Governmental compensated absences and net pension liability will be liquidated by the General fund.

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Business-type activities:</b>					
Certificates of obligation	\$ 530,000	\$ -	\$ (45,000)	\$ 485,000	\$ 45,000
Compensated absences	6,499	1,475	(7,448)	526	526
Net pension liability	33,377	-	(6,976)	26,401	-
Business-type activity					
Long-term liabilities	<u>\$ 569,876</u>	<u>\$ 1,475</u>	<u>\$ (59,424)</u>	<u>\$ 511,927</u>	<u>\$ 45,526</u>

Certificates of obligations issued for business-type activities are repaid from those activities. Business-type compensated absences and net pension liability will be liquidated by the Water and Wastewater fund.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**H. Long-term liabilities (continued)**

Annual debt service requirements to maturity are as follows -

<b>Year Ending September 30</b>	<b>Governmental Activities</b>			
	<b>Certificates of Obligation</b>		<b>Tax and Revenue Refunding Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 95,000	\$ 39,206	\$ 255,000	\$ 14,562
2019	100,000	35,424	265,000	4,916
2020	100,000	31,424	-	-
2021	105,000	27,324	-	-
2022	110,000	23,024	-	-
2023-2026	490,000	42,714	-	-
	<u>\$ 1,000,000</u>	<u>\$ 199,116</u>	<u>\$ 520,000</u>	<u>\$ 19,478</u>

  

<b>Year Ending September 30</b>	<b>Business-Type Activities Certificates of Obligation</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 45,000	\$ 21,275
2019	45,000	19,205
2020	50,000	17,020
2021	50,000	14,720
2022	55,000	12,305
2023-2026	240,000	22,770
	<u>\$ 485,000</u>	<u>\$ 107,295</u>

**I. Interfund transfers**

The composition of interfund transfers as of September 30, 2017 is as follows:

Interfund transfers:

	<b>Transfer In:</b>	
	<b>General</b>	<b>Total</b>
<b>Transfer Out:</b>		
Water and wastewater	\$ 50,000	\$ 50,000
Nonmajor governmental fund	408	408
	<u>\$ 50,408</u>	<u>\$ 50,408</u>

Transfers are primarily used to move funds from the Water and Wastewater Fund to the General Fund for administrative services.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**J. Related party transactions**

The significant transactions between the primary government and its component units during the year ended September 30, 2017 consisted of administrative services provided by the City in the amount of \$36,638 for the Ferris 4A Economic Development Corporation and \$36,638 for the Ferris 4B Economic Development Corporation.

In addition, the City receives on-behalf payments from the Ferris 4A and 4B Economic Development Corporations to be used for the City's Economic Development Director's salary and benefits. The on-behalf payments to the City for the fiscal year ended September 30, 2017 consisted of \$17,238 from the Ferris 4A Economic Development Corporation and \$17,238 from the Ferris 4B Economic Development Corporation. Such payments are recorded as intergovernmental revenue and general government expenses/expenditures in the government-wide and general fund financial statements.

**K. Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**L. Subsequent events**

Subsequent to year end, the City approved the following items:

- Purchase of equipment in an amount not to exceed \$65,000.
- Contract for the licensing and installation of software in an amount not to exceed \$123,500.
- Contract for the application of a new roof membrane to the City of Ferris Library in an amount not to exceed \$36,000.
- Contract for pre-construction services for a new municipal building in an amount not to exceed \$113,000.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**M. Discretely presented component units**

**1. Ferris 4A Economic Development Corporation Fund**

Cash Deposits with Financial Institutions

At year end the bank balance of the Corporation's deposits was \$698,810. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance, \$448,810 was covered by collateral pledged in the Corporation's name. The collateral was held in the Corporation's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately \$617,000.

Capital Assets

Capital asset activity for the Corporation for the year ended September 30, 2017, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 18,000	\$ -	\$ -	\$ 18,000
Total capital assets not being depreciated	18,000	-	-	18,000
Capital assets being depreciated:				
Machinery and equipment	-	1,483	-	1,483
Totals capital assets being depreciated	-	1,483	-	1,483
Less accumulated depreciation for:				
Machinery and equipment	-	(124)	-	(124)
Total accumulated depreciation	-	(124)	-	(124)
Total capital assets, being depreciated, net	-	1,359	-	1,359
Governmental activities capital assets, net	<u>\$ 18,000</u>	<u>\$ 1,359</u>	<u>\$ -</u>	<u>\$ 19,359</u>

Subsequent Events

- On October 4, 2017 the Corporation issued debt in the amount of \$768,625 for the purchase of real property
- On January 25, 2018 the Corporation approved a contract for retail space brokerage services in an amount not to exceed \$100,000.

**2. Ferris 4B Economic Development Corporation Fund**

Cash Deposits with Financial Institutions

At year end the bank balance of the Corporation's deposits was \$220,118. Of the bank balance, \$220,118 was covered fully by federal depository insurance.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 3 – DEFINED BENEFIT PENSION PLANS**

**1. Texas Municipal Retirement System**

**A. Plan description**

The City of Ferris, Texas participates as one of 872 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](http://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.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)**

**1. Texas Municipal Retirement System (continued)**

	<b>Plan Provisions</b>
Employee deposit rate	5%
Municipal current matching ratio	1.5 - 1
Updated service credits:	
Rate (%)	100 T
Year effective	2000R
Increase benefits to retirees:	
Rate (%) <sup>(1)</sup>	70
Year effective	2000R
Vesting	5 yrs
Service retirement eligibilities	5 yrs/age 60, 20 yrs/any age
Restricted prior service credit effective date	8-01
Supplemental death benefits:	
Employees	Yes
Retirees	Yes
Statutory maximum (%)	9.5%

<sup>(1)</sup> For years prior to 1982, the rate is the actual percentage in annuities. For 1982 and later, the rate is the percentage of the change in the CPI-U since retirement date, granted to each annuitant as an increase of the original annuity.

T — Includes Transfer Credits.

R — Annually Repeating. Ordinance automatically renews effective January 1 of each successive year.

***Employees covered by benefit terms***

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

Inactive employees or beneficiaries currently receiving benefits	24
Inactive employees entitled to but not yet receiving benefits	48
Active employees	38
	110

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)**

**1. Texas Municipal Retirement System (continued)**

**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 Ferris, Texas were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Ferris, Texas were 6.62% and 6.31% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$99,017, and were equal to the required contributions.

**D. Net pension liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

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

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



**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)**

**1. Texas Municipal Retirement System (continued)**

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 December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected</b>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100%	

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)**

**1. Texas Municipal Retirement System (continued)**

***Discount Rate***

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

***Changes in the Net Pension Liability***

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
Balance at 12/31/2015	\$ 3,421,789	\$ 3,113,308	\$ 308,481
Changes for the year:			
Service cost	170,877	-	170,877
Interest	230,569	-	230,569
Difference between expected and actual experience	(86,304)	-	(86,304)
Contributions - employer	-	107,196	(107,196)
Contributions - employee	-	81,061	(81,061)
Net investment income	-	210,393	(210,393)
Benefit payments, including refunds of employee contributions	(182,787)	(182,787)	-
Administrative expense	-	(2,376)	2,376
Other changes	-	(128)	128
Net Changes	\$ 132,355	\$ 213,359	\$ (81,004)
<b>Balance at 12/31/2016</b>	<b>\$ 3,554,144</b>	<b>\$ 3,326,667</b>	<b>\$ 227,477</b>

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:

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)**

**1. Texas Municipal Retirement System (continued)**

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 741,369	\$ 227,477	\$ (187,489)

***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](http://www.tmrs.com).

***Payables to the Pension Plan*** - Legally required contributions outstanding at the end of the year totaled \$11,824.

**E. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions**

For the year ended September 30, 2017, the City recognized pension expense of \$91,817.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Contributions subsequent to the measurement	\$ 75,485	\$ -
Changes in actuarial assumptions	12,265	-
Difference between projected and actual investment earnings	145,452	-
Differences between expected and actual economic experience	-	124,411
Total	<u>\$ 233,202</u>	<u>\$ 124,411</u>

\$75,485 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 asset for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as

**Year Ended December 31**

2017	\$ (7,455)
2018	11,647
2019	29,163
2020	(49)
Total	<u>\$ 33,306</u>

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)**

**2. Texas Emergency Services Retirement System**

**A. Plan Description and Benefits Provided**

The City of Ferris, Texas is a nonemployer contributing entity in the Texas Emergency Services Retirement System (TESRS) for its volunteer firefighters. TESRS administers a cost-sharing multiple employer pension system (the 'System') established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is an agency of the State of Texas and its financial records comply with state statutes and regulations. The nine members Board of Trustees, appointed by the Governor, establishes policy for the administration of the Texas Emergency Services Retirement System.

The TESRS was created as a standalone agency by the 83rd Legislature via the passage of SB 220, effective September 1, 2013, to assume the related functions of the abolished Office of the Fire Fighters' Pension Commissioner. While the agency is new, the System has been in existence since 1977. TESRS, which is under the authority of Title 8, Subtitle H, Chapters 861-865 of the Texas Government Code, provides death and disability benefits to active volunteer fire fighters and first responders, and a pension to members with vested service, as well as to their survivor/beneficiaries. For financial reporting purposes, the State of Texas is considered the primary reporting government. TESRS' financial statements are included in the State's Comprehensive Annual Financial Report. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, which can be obtained at [www.tesrs.org](http://www.tesrs.org). The separately issued actuarial valuations which may be of interest are also available at the same link.

**B. Contributions**

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. No contributions are required from the individuals who are members of the System, nor are they allowed. The City is required to make contributions for each month a member performs emergency services for a department. The State of Texas is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year. For the fiscal year ending September 30, 2017, total contributions to the plan were \$3,093.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)**

**2. Texas Emergency Services Retirement System (continued)**

**C. Net Pension Liability**

At September 30, 2017, the City reported a liability of \$30,293 for its proportionate share of the net pension liability. The net pension liability was measured as of August 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions to the pension plan for the fiscal year ended August 31, 2016 relative to the contributions of all participating entities. At August 31, 2016, the City's proportion was 0.104.

**D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2017, the City recognized pension expense of \$6,938.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflow of Resources</u></b>
Contributions subsequent to the measurement date	\$ 3,093
Changes in actuarial assumptions	516
Difference between projected and actual investment earnings	6,229
Differences between expected and actual economic experience	37
Total	<b><u>\$ 9,875</u></b>

\$3,093 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 asset for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year Ended December 31</u></b>		
2017	\$	1,596
2018		1,597
2019		2,305
2020		1,284
Total	\$	<b><u>6,782</u></b>

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS**

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

TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

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

The City's contributions to the TMRS SDBF for the years ended 2017, 2016 and 2015 were \$2,674, \$3,297 and \$3,877, respectively, which equaled the required contributions each year.

## **REQUIRED SUPPLEMENTARY INFORMATION**

These supplementary schedules are included to supplement the basic financial statements as required by the Governmental Accounting Standards Board.

**CITY OF FERRIS, TEXAS**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**MAJOR GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended September 30, 2017

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Adjustments</b>	<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>GAAP</b>	<b>Budget</b>	<b>Budget</b>	<b>Final Budget</b>
			<b>Basis</b>	<b>Basis</b>	<b>Basis</b>	
<b>REVENUES</b>						
Property taxes	\$ 479,819	\$ 479,819	\$ 485,288	\$ -	\$ 485,288	\$ 5,469
Sales taxes	215,000	215,000	238,417	(9,087)	229,330	14,330
Franchise taxes	120,000	120,000	122,510	(1,473)	121,037	1,037
Alcoholic beverage taxes	1,250	1,250	1,425	(92)	1,333	83
Licenses and permits	32,250	32,250	74,955	-	74,955	42,705
Fines and forfeitures	569,750	569,750	385,829	(2,398)	383,431	(186,319)
Host fee	1,400,000	1,400,000	1,500,287	(26,539)	1,473,748	73,748
Gas royalty	-	-	135,350	(135,350)	-	-
Revenues from use of money and property	7,600	7,600	7,651	(535)	7,116	(484)
Other	13,650	13,650	15,709	11,992	27,701	14,051
Intergovernmental	111,500	175,492	139,560	(3,994)	135,566	(39,926)
Contributions and donations	14,600	122,675	155,502	(25,000)	130,502	7,827
Total revenues	2,965,419	3,137,486	3,262,483	(192,476)	3,070,007	(67,479)
<b>EXPENDITURES</b>						
Current:						
General government:						
City council	125,710	176,303	155,499	(439)	155,060	(21,243)
City manager	260,955	269,605	264,504	(463)	264,041	(5,564)
Municipal finance	176,233	176,458	181,915	(838)	181,077	4,619
Senior services	22,272	22,872	22,827	(48)	22,779	(93)
Information technology	118,317	121,764	133,348	(274)	133,074	11,310
Economic development	-	47,752	47,607	(1,562)	46,045	(1,707)
Total general government	703,487	814,754	805,700	(3,624)	802,076	(12,678)
Public safety:						
Code compliance	142,713	139,266	153,040	1,247	154,287	15,021
Fire	335,128	364,992	370,375	(1,061)	369,314	4,322
EMS	45,850	43,200	45,053	-	45,053	1,853
Police	1,049,135	1,168,130	1,094,637	(2,637)	1,092,000	(76,130)
Municipal court	133,483	133,483	129,264	(345)	128,919	(4,564)
Animal control	76,457	76,457	64,883	(186)	64,697	(11,760)
Total public safety	1,782,766	1,925,528	1,857,252	(2,982)	1,854,270	(71,258)
Cultural and recreational:						
Parks	87,000	87,000	66,651	-	66,651	(20,349)
Library	170,750	206,444	157,467	(298)	157,169	(49,275)
Total cultural and recreational	257,750	293,444	224,118	(298)	223,820	(69,624)
Public works						
Main Street Program	111,900	111,900	56,342	8,000	64,342	(47,558)
Streets and drainage	334,774	334,774	225,242	(607)	224,635	(110,139)
Total public works	446,674	446,674	281,584	7,393	288,977	(157,697)
Debt service:						
Principal and interest charges	-	-	90,000	(90,000)	-	-
Interest and fiscal charges	-	-	42,113	(42,113)	-	-
Total debt service	-	-	132,113	(132,113)	-	-
Total expenditures	3,190,677	3,480,400	3,300,767	(131,624)	3,169,143	(311,257)
Excess (deficiency) of revenues over (under) expenditures	(225,258)	(342,914)	(38,284)	(60,852)	(99,136)	243,778
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	58,498	58,498	50,408	-	50,408	(8,090)
Insurance proceeds	10,000	10,000	12,591	-	12,591	2,591
Proceeds from the sale of capital assets	2,000	2,000	21,631	-	21,631	19,631
Total other financing sources and uses	70,498	70,498	84,630	-	84,630	14,132
Net change in fund balance	\$ (154,760)	\$ (272,416)	\$ 46,346	\$ (60,852)	\$ (14,506)	\$ 257,910

**NOTES TO BUDGETARY INFORMATION**

**1. Budgetary basis of accounting**

An annual budget for the general fund is adopted on the budgetary basis of accounting. All annual appropriations lapse at fiscal year end. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.



**CITY OF FERRIS, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
Last 10 Years (will ultimately be displayed)

	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Total Pension Liability</b>			
Service Cost	\$ 157,389	\$ 180,871	\$ 170,877
Interest (on the Total Pension Liability)	224,607	232,113	230,569
Difference between expected and actual experience	(70,569)	(124,273)	(86,304)
Changes of assumptions	-	27,891	-
Benefit payments, including refunds of employee contributions	(191,312)	(240,556)	(182,787)
<b>Net Change in Total Pension Liability</b>	<b>120,115</b>	<b>76,046</b>	<b>132,355</b>
<b>Total Pension Liability - Beginning</b>	<b>3,225,628</b>	<b>3,345,743</b>	<b>3,421,789</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 3,345,743</b>	<b>\$ 3,421,789</b>	<b>\$ 3,554,144</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 83,861	\$ 101,254	\$ 107,196
Contributions - Employee	81,736	84,519	81,061
Net Investment Income	172,835	4,672	210,393
Benefit payments, including refunds of employee contributions	(191,312)	(240,556)	(182,787)
Administrative Expense	(1,804)	(2,846)	(2,376)
Other	(148)	(141)	(128)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>145,168</b>	<b>(53,098)</b>	<b>213,359</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>3,021,238</b>	<b>3,166,406</b>	<b>3,113,308</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 3,166,406</b>	<b>\$ 3,113,308</b>	<b>\$ 3,326,667</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 179,337</b>	<b>\$ 308,481</b>	<b>\$ 227,477</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>94.64%</b>	<b>90.98%</b>	<b>93.60%</b>
<b>Covered Employee Payroll</b>	<b>1,634,722</b>	<b>1,690,384</b>	<b>1,621,223</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>10.97%</b>	<b>18.25%</b>	<b>14.03%</b>

**Notes to Schedule:**

N/A

**CITY OF FERRIS, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
Last 10 Fiscal Years (will ultimately be displayed)

	<b>2015</b>	<b>2016</b>	<b>2017</b>
Actuarially Determined Contribution	\$ 98,220	\$ 110,315	\$ 99,017
Contributions in relation to the actuarially determined contribution	98,220	110,315	99,017
Contribution deficiency (excess)	-	-	-
Covered employee payroll	1,705,659	1,708,629	1,551,748
Contributions as a percentage of covered employee payroll	5.76%	6.46%	6.38%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**Other Information:**

Notes There were no benefit changes during the year.

***CITY OF FERRIS, TEXAS***

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
AS NONEMPLOYER CONTRIBUTING ENTITY  
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM  
Last 10 Years (will ultimately be displayed)

	<b>2014</b>	<b>2015</b>	<b>2016</b>
City's proportion of the net pension liability	0.062%	0.104%	0.104%
City's proportionate share of the net pension liability	\$ 11,266	\$ 27,761	\$ 30,293
Plan fiduciary net position as a percentage of the total pension liability	83.46%	65.99%	66.16%

**Notes to Schedule:**

N/A

**CITY OF FERRIS, TEXAS**

**SCHEDULE OF THE CITY'S CONTRIBUTIONS - AS NONEMPLOYER CONTRIBUTING ENTITY  
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM**

Last 10 Fiscal Years (will ultimately be displayed)

	<b>2015</b>	<b>2016</b>	<b>2017</b>
Statutorily required contribution	\$ 3,420	\$ 9,237	\$ 3,093
Contributions in relation to the statutorily required contribution	3,420	9,237	3,093
Contribution deficiency (excess)	-	-	-

**Notes to Schedule:**

N/A

## **NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS** - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to be used for specified purposes.

*Court Technology Fund* – This fund is used to account for revenues that are to be used for technological enhancements to the municipal court.

*Court Security Fund* – This fund is used to account for the revenues to provide security services for buildings housing a municipal court.

**DEBT SERVICE FUND** - The debt service fund is used to account for the accumulation of resources for the payment of principal and interest on general long-term debt.

**CITY OF FERRIS, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
September 30, 2017

	<b>Nonmajor Special Revenue</b>	<b>Nonmajor Debt Service</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 36,579	\$ 46,878	\$ 83,457
Due from other funds	28	-	28
Total assets	<u>\$ 36,607</u>	<u>\$ 46,878</u>	<u>\$ 83,485</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 181	\$ -	\$ 181
Total liabilities	<u>181</u>	<u>-</u>	<u>181</u>
<b>FUND BALANCES</b>			
<b>Restricted:</b>			
Debt service	-	46,878	46,878
Public safety	36,426	-	36,426
Total fund balance	<u>36,426</u>	<u>46,878</u>	<u>83,304</u>
Total liabilities and fund balances	<u>\$ 36,607</u>	<u>\$ 46,878</u>	<u>\$ 83,485</u>

**CITY OF FERRIS, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended September 30, 2017

	<b>Nonmajor Special Revenue</b>	<b>Nonmajor Debt Service</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>			
Property taxes	\$ -	\$ 283,537	\$ 283,537
Fines and forfeitures	15,699	-	15,699
Revenues from use of money	49	122	171
Other	1,291	-	1,291
Total revenues	<u>17,039</u>	<u>283,659</u>	<u>300,698</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	24,892	-	24,892
Debt service:			
Principal retirement	-	245,000	245,000
Interest and fiscal charges	-	23,847	23,847
Total expenditures	<u>24,892</u>	<u>268,847</u>	<u>293,739</u>
Excess (deficiency) of revenues revenues over (under) expenditures	<u>(7,853)</u>	<u>14,812</u>	<u>6,959</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(408)	-	(408)
Total other financing sources (uses)	<u>(408)</u>	<u>-</u>	<u>(408)</u>
Net change in fund balances	(8,261)	14,812	6,551
Fund balances - beginning	<u>44,687</u>	<u>32,066</u>	<u>76,753</u>
Fund balances - ending	<u>\$ 36,426</u>	<u>\$ 46,878</u>	<u>\$ 83,304</u>

**CITY OF FERRIS, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
September 30, 2017

	<b>Court Technology</b>	<b>Court Security</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,254	\$ 20,325	\$ 36,579
Due from other funds	16	12	28
Total assets	<u>\$ 16,270</u>	<u>\$ 20,337</u>	<u>\$ 36,607</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 181	-	\$ 181
Total liabilities	<u>181</u>	<u>-</u>	<u>181</u>
<b>FUND BALANCES</b>			
<b>Restricted:</b>			
Public safety	16,089	20,337	36,426
Total fund balance	<u>16,089</u>	<u>20,337</u>	<u>36,426</u>
Total liabilities and fund balances	<u>\$ 16,270</u>	<u>\$ 20,337</u>	<u>\$ 36,607</u>



**CITY OF FERRIS, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
For the Fiscal Year Ended September 30, 2017

	<b>Court Technology</b>	<b>Court Security</b>	<b>Totals</b>
<b>REVENUES</b>			
Fines and forfeitures	\$ 8,971	\$ 6,728	\$ 15,699
Revenues from use of money	40	9	49
Other	1,291	-	1,291
Total revenues	<u>10,302</u>	<u>6,737</u>	<u>17,039</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	<u>23,656</u>	<u>1,236</u>	<u>24,892</u>
Total expenditures	<u>23,656</u>	<u>1,236</u>	<u>24,892</u>
Excess (deficiency) of revenues over expenditures	<u>(13,354)</u>	<u>5,501</u>	<u>(7,853)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>-</u>	<u>(408)</u>	<u>(408)</u>
Total other financing sources (uses)	<u>-</u>	<u>(408)</u>	<u>(408)</u>
Net change in fund balances	(13,354)	5,093	(8,261)
Fund balances - beginning	<u>29,443</u>	<u>15,244</u>	<u>44,687</u>
Fund balances - ending	<u>\$ 16,089</u>	<u>\$ 20,337</u>	<u>\$ 36,426</u>

**CITY OF FERRIS, TEXAS**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
For the Fiscal Year Ended September 30, 2017

	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>			
Property taxes	\$ 268,837	\$ 283,537	\$ 14,700
Revenues from use of money	-	122	122
Total revenues	<u>268,837</u>	<u>283,659</u>	<u>14,822</u>
<b>EXPENDITURES</b>			
Debt service:			
Principal on bonds	245,000	245,000	-
Interest and fiscal charges	<u>23,837</u>	<u>23,847</u>	<u>10</u>
Total expenditures	<u>268,837</u>	<u>268,847</u>	<u>10</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 14,812</u>	<u>\$ 14,812</u>

## **PROPRIETARY FUND**

**ENTERPRISE FUNDS** - Enterprise funds account for services provided primarily to customers outside the financial reporting entity.

*Water and Wastewater Fund* - The City's water and wastewater utility operations are accounted for in this fund.

**CITY OF FERRIS, TEXAS**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**ENTERPRISE FUND - WATER AND WASTEWATER**  
For the Fiscal Year Ended September 30, 2017

	<b>Budget Amounts</b>		<b>Actual GAAP Basis</b>	<b>Adjustments Budget Basis</b>	<b>Actual Budget Basis</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>				
<b>OPERATING REVENUES</b>						
Water sales	\$ 636,000	\$ 636,000	\$ 662,322	\$ (3,711)	\$ 658,611	\$ 22,611
Wastewater service	483,000	483,000	487,686	(14,201)	473,485	(9,515)
Miscellaneous	109,250	109,250	165,818	(838)	164,980	55,730
Total operating revenues	<u>\$1,228,250</u>	<u>\$1,228,250</u>	<u>\$1,315,826</u>	<u>\$ (18,750)</u>	<u>\$1,297,076</u>	<u>\$ 68,826</u>
<b>OPERATING EXPENSES</b>						
Water and wastewater operations	\$ 1,153,227	\$ 1,166,127	\$ 994,981	\$ 44,858	\$ 1,039,839	\$ (126,288)
Depreciation and amortization	-	-	177,932	(177,932)	-	-
Total operating expenses	<u>\$ 1,153,227</u>	<u>\$ 1,166,127</u>	<u>\$ 1,172,913</u>	<u>\$ (133,074)</u>	<u>\$ 1,039,839</u>	<u>\$ (126,288)</u>

## COMPONENT UNIT FINANCIAL STATEMENTS

*Ferris 4A Economic Development Corporation Fund* - This fund is used to account for the Ferris Economic Development Corporation created under Section 4A of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended.

*Ferris 4B Economic Development Corporation Fund* - This fund is used to account for the Ferris Economic Development Corporation created under Section 4B of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended.

**CITY OF FERRIS, TEXAS**  
**BALANCE SHEET - GENERAL FUND**  
**COMPONENT UNITS**  
**September 30, 2017**

	<b>Ferris 4A Economic Development Corporation</b>	<b>Ferris 4B Economic Development Corporation</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 698,810	\$ 220,118
Due from primary government	13,747	23,747
Total assets	<u>\$ 712,557</u>	<u>\$ 243,865</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 750	\$ 1,000
Total liabilities	<u>750</u>	<u>1,000</u>
<b>FUND BALANCES</b>		
<b>Restricted:</b>		
Economic development	711,807	242,865
Total fund balances	<u>711,807</u>	<u>242,865</u>
Total liabilities and fund balances	<u>\$ 712,557</u>	<u>\$ 243,865</u>

**CITY OF FERRIS, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GENERAL FUND**  
**COMPONENT UNITS**  
For the Fiscal Year Ended September 30, 2017

	<b>Ferris 4A Economic Development Corporation</b>	<b>Ferris 4B Economic Development Corporation</b>
<b>REVENUES</b>		
Sales taxes	\$ 119,208	\$ 119,208
Revenues from use of money	1,319	395
Total revenues	<u>120,527</u>	<u>119,603</u>
<b>EXPENDITURES</b>		
Current:		
Economic development	<u>58,391</u>	<u>70,714</u>
Total expenditures	<u>58,391</u>	<u>70,714</u>
Net change in fund balances	62,136	48,889
Fund balances - beginning	<u>649,671</u>	<u>193,976</u>
Fund balances - ending	<u><u>\$ 711,807</u></u>	<u><u>\$ 242,865</u></u>

## SUPPLEMENTARY FINANCIAL DATA



**CITY OF FERRIS, TEXAS**  
**SCHEDULE OF CASH BALANCES - ALL FUNDS**  
September 30, 2017

**GENERAL FUND**

Cash on hand	\$	915	
Cash in bank - Operating		921,616	
- Court Restricted		7,606	
- Court State Fees		40,868	
- Police Awarded Funds		7,709	
- National Night Out		5,975	
- WMI Meth Electric Funds		276,784	
- Deep Reserve General		<u>132,495</u>	\$ 1,393,968

**SPECIAL REVENUE FUNDS**

Cash in bank - Court Technology	16,254	
- Court Security	<u>20,325</u>	<u>36,579</u>

**DEBT SERVICE FUND**

Cash in bank - Interest and Sinking Funds		<u>46,878</u>
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**ENTERPRISE FUND - WATER AND WASTEWATER**

Cash on hand	200	
Cash in bank - Operating	420,263	
- Fluid 1 Funds	3,776	
- Fluid 2 Funds	10,071	
- Deep Reserve - Water and Wastewater	<u>130,592</u>	<u>564,902</u>
		<u>\$ 2,042,327</u>

**CITY OF FERRIS, TEXAS**  
**COMBINED SCHEDULE OF BONDED DEBT - ALL FUNDS**  
For the Fiscal Year Ended September 30, 2017

	<u>Original Amount</u>	<u>Balance Outstanding 10/1/2016</u>	<u>Bonds Issued</u>	<u>Retired</u>	<u>Balance Outstanding 9/30/2017</u>	<u>Interest Rate</u>
<b>COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION</b>						
Series 2006	\$ 850,000	\$ 530,000	\$ -	\$ 45,000	\$ 485,000	4.60%
Series 2011	1,500,000	1,090,000	-	90,000	1,000,000	2-00%-4.25%
Total Certificates of Obligation		<u>\$ 1,620,000</u>	<u>\$ -</u>	<u>\$ 135,000</u>	<u>\$ 1,485,000</u>	
<b>TAX AND REVENUE REFUNDING BONDS</b>						
Series 2005	\$ 2,355,000	\$ 765,000	\$ -	\$ 245,000	\$ 520,000	3.71%
2 Total Tax and Revenue Refunding Bonds		<u>\$ 765,000</u>	<u>\$ -</u>	<u>\$ 245,000</u>	<u>\$ 520,000</u>	
TOTAL COMBINED BONDED DEBT		<u>\$ 2,385,000</u>	<u>\$ -</u>	<u>\$ 380,000</u>	<u>\$ 2,005,000</u>	

**CITY OF FERRIS, TEXAS**  
**DEBT REQUIREMENTS**  
October 1, 2017 to Maturity

Issue: Combination Tax and Revenue Certificates of Obligation  
Date: March 1, 2006  
Original Amount: \$850,000  
Denomination: \$5,000  
Interest: 4.60%  
Payable from: Ad Valorem Taxes and Water and Wastewater Revenues

<b>Fiscal Year Ending 9/30</b>	<b>Principal Due 3/1</b>	<b>Interest Due 3/1</b>	<b>Interest Due 9/1</b>	<b>Totals</b>
2018	\$ 45,000	\$ 11,155	\$ 10,120	\$ 66,275
2019	45,000	10,120	9,085	64,205
2020	50,000	9,085	7,935	67,020
2021	50,000	7,935	6,785	64,720
2022	55,000	6,785	5,520	67,305
2023	55,000	5,520	4,255	64,775
2024	60,000	4,255	2,875	67,130
2025	60,000	2,875	1,495	64,370
2026	65,000	1,495	-	66,495
	<u>\$ 485,000</u>	<u>\$ 59,225</u>	<u>\$ 48,070</u>	<u>\$ 592,295</u>

Average Annual Requirements \$ 65,811

**CITY OF FERRIS, TEXAS**  
**DEBT REQUIREMENTS**  
October 1, 2017 to Maturity

Issue: Tax and Waterworks and Sewer System Revenue Refunding Bonds  
Date: September 1, 2005  
Original Amount: \$2,355,000  
Denomination: \$5,000  
Interest: 3.71%  
Payable from: Ad Valorem Taxes and Water and Wastewater Revenues

<b>Fiscal Year Ending 9/30</b>	<b>Principal Due 3/1</b>	<b>Interest Due 3/1</b>	<b>Interest Due 9/1</b>	<b>Totals</b>
2018	\$ 255,000	\$ 9,646	\$ 4,916	\$ 269,562
2019	265,000	4,916	-	269,916
	<u>\$ 520,000</u>	<u>\$ 14,562</u>	<u>\$ 4,916</u>	<u>\$ 539,478</u>
Average Annual Requirements		<u>\$ 269,739</u>		

**CITY OF FERRIS, TEXAS**  
**DEBT REQUIREMENTS**  
October 1, 2017 to Maturity

Issue: Tax and Waterworks and Sewer System Revenue Certificates of Obligation  
Date: March 15, 2011  
Original Amount: \$1,500,000  
Denomination: \$5,000  
Interest: 2-00% - 4.25%  
Payable from: Ad Valorem Taxes and Water and Wastewater Revenues

<b>Fiscal Year Ending 9/30</b>	<b>Principal Due 3/1</b>	<b>Interest Due 3/1</b>	<b>Interest Due 9/1</b>	<b>Totals</b>
2018	\$ 95,000	\$ 20,494	\$ 18,712	\$ 134,206
2019	100,000	18,712	16,712	135,424
2020	100,000	16,712	14,712	131,424
2021	105,000	14,712	12,612	132,324
2022	110,000	12,612	10,412	133,024
2023	115,000	10,412	7,969	133,381
2024	120,000	7,969	5,419	133,388
2025	125,000	5,419	2,763	133,182
2026	130,000	2,763	-	132,763
	<u>\$ 1,000,000</u>	<u>\$ 109,805</u>	<u>\$ 89,311</u>	<u>\$ 1,199,116</u>

Average Annual Requirements \$ 133,235