

CITY OF MARLIN

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2017

City of Marlin
Annual Financial Report
For The Year Ended September 30, 2017

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Financial Section

ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

HUDSON ANDERSON, CPA
FRANK MARX, III, CPA
DORI BOHL, CPA & CFE

Independent Auditors' Report

To the Board of Trustees
City of Marlin
P. O. Drawer 980
Marlin, Texas 76661

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marlin ("the City") 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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, each major fund, and the aggregate remaining fund information of City of Marlin 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.

Emphasis of Matter

As described in Note A to the financial statements, in 2017, City of Marlin adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2017, City of Marlin adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 82, Pension Issues-An amendment of GASB No. 67, No. 68 and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability and schedule of City pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marlin's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2018 on our consideration of City of Marlin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Marlin's internal control over financial reporting and compliance.

Respectfully submitted,

Anderson, Marx & Bohl, P.C.

Anderson, Marx & Bohl, P.C.

Corsicana, Texas
September 18, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Marlin's annual financial report presents our discussion and analysis of the City's financial performance during the year ended September 30, 2017. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

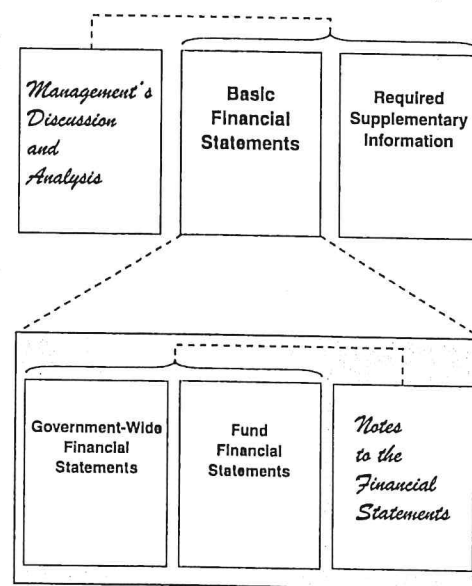
- The City's total combined net position on financial statement exhibit A-1 was \$12,257,003 at September 30, 2017.
- During the year, the City's primary government expenses on financial statement exhibit A-2 were \$149,653 less than the \$6,109,867 generated in taxes and other revenues for all activities.
- The total cost of the City's programs on financial statement exhibit A-5 increased \$267,135 from last year. An increase in capital outlay accounted for much of this.
- The general fund reported a general fund balance this year on financial statement exhibit A-3 of \$339,446. The City began the current year with a general fund balance in the amount of \$447,984.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.
- *Business Activities* statements provide information about for-profit activities.

Figure A-1, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the City's net position and how it has changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental and Business-type activities*. Most of the City's basic services are included here, such as public safety, sanitation, culture and recreation, street maintenance, water and sewer and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—The City provides water and sewer services to its citizens and charges fees to pay for this service. These activities are accounted for on the accrual basis of accounting.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$12.2 million at September 30, 2017. (See Table A-1).

Table A-1
City of Marlin's Net Position
(In million dollars)

	<u>2017</u>	<u>2016</u>	Total Percentage Change <u>2017-2016</u>
Current assets:			
Cash and cash equivalents	.9	1.0	-10
Investments	.0	.0	**
Due from other governments	.0	.0	**
Due from other funds	.0	.0	**
Other receivables	.8	.7	14
Unamortized debt issuance costs	.0	.0	**
Total current assets:	<u>1.7</u>	<u>1.7</u>	0
Noncurrent assets:			
Land, furniture and equipment	44.3	43.7	1
Less accumulated depreciation	(19.8)	(19.2)	-3
Other assets	<u>1.8</u>	<u>2.2</u>	-18
Total noncurrent assets	<u>26.3</u>	<u>26.7</u>	-1
Total Assets	<u>28.0</u>	<u>28.4</u>	-1
Deferred Outflows	<u>.1</u>	<u>.4</u>	-75
Current liabilities:			
Accounts payable and accrued liabilities	.2	.2	0
Consumer deposits	.0	.0	**
Due to other funds	.0	.0	**
Liabilities payable from restricted assets	<u>.2</u>	<u>.2</u>	0
Total current liabilities	<u>.4</u>	<u>.4</u>	0
Long-term liabilities:			
Noncurrent liabilities due in one year	.8	.7	14
Noncurrent liabilities due more than 1 yr	13.9	14.7	-5
Net Pension Liability	<u>.8</u>	<u>.8</u>	0
Total Liabilities	<u>15.9</u>	<u>16.6</u>	-4
Deferred Inflows	<u>.0</u>	<u>.1</u>	**
Net Position:			
Invested in capital assets, net of debt	8.4	8.4	0
Restricted	2.2	2.7	-19
Unrestricted	<u>1.6</u>	<u>1.0</u>	60
Total Net Position	<u>12.2</u>	<u>12.1</u>	1

The City has restricted net position of \$362,738 that represents proceeds to service debt, \$1,612,560 that are restricted for capital expenditures, and \$206,729 restricted for other purposes. The \$1,628,845 of unrestricted net position represents resources to be available to fund the programs of the City next year.

Changes in net position. The City's total revenues were \$6,109,867. A significant portion, 35 percent, of the City's revenue comes from taxes, while 63 percent relates to charges for services.

The total cost of all programs and services was \$5,960,244; 54 percent of these costs are for governmental activities.

Governmental Activities

- Property tax revenues increased by \$155,202 to \$1,150,938.

Table A-2
Changes in City of Marlin's Net Position
(In million dollars)

	<u>2017</u>	<u>2016</u>	<u>% Ch</u>
Program Revenues:			
Charges for Services	3.8	3.8	0
Operating Grants and Contributions	.1	.0	**
General Revenues:			
Taxes	2.1	1.9	11
Grants	.0	.0	**
Investment Earnings	.0	.0	**
Other	.1	.2	-50
Total Revenues	<u>6.1</u>	<u>5.9</u>	<u>3</u>
General Government	.9	.8	13
Public Safety	1.4	1.3	8
Highways and Streets	.2	.2	0
Culture and Recreation	.0	.0	**
Public Services	.0	.0	**
Sanitation	.7	.6	17
Grant Expenditures	.0	.0	**
Water and Sewer	<u>2.8</u>	<u>2.9</u>	<u>-3</u>
Total Expenses	<u>6.0</u>	<u>5.8</u>	<u>3</u>
Excess (Deficiency) Before Other Resources, Uses and Transfers			
	.1	.1	0
Other Resources (Uses)	.0	.0	**
Transfers In (Out)	.0	.0	**
Increase (Decrease) in Net Position	<u>.1</u>	<u>.1</u>	<u>0</u>

Table A-3 presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$3.20 million.
- However, the amount that our taxpayers paid for these activities through property taxes was \$1.151 million.
- Some of the cost was paid by those who directly benefited from the programs \$0.999 million.

Table A-3
Net Cost of Selected City Functions
(in millions of dollars)

	Total Cost of Services			Net Cost of Services		
	<u>2017</u>	<u>2016</u>	% Change	<u>2017</u>	<u>2016</u>	% Change
General Government	.9	.8	13	.8	.6	33
Public Safety	1.4	1.3	8	1.1	1.0	10
Highways and Streets	.2	.2	0	.2	.2	0

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$3.2 million, while the previous year it was \$3.2 million. Revenues from business-type activities totaled \$2.8 million, while the previous year it was \$2.5 million. Intergovernmental revenues increased by approximately \$.12 million due to a new grant.

General Fund Budgetary Highlights

Over the course of the year, the City revised its budget several times. Even with these adjustments, actual expenditures were \$98,770 below final budget amounts.

On the other hand, resources available were \$81,074 below the final budgeted amount due to reduced fines, property taxes, and miscellaneous revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the City had invested \$44,269,283 in a broad range of capital assets, including land, construction in progress, infrastructure, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$529,959 or 1% percent over last year. The increase is a result of increased infrastructure and water system construction.

Table A-4
City's Capital Assets
(In millions of dollars)

	<u>2017</u>	<u>2016</u>	<u>Total Percentage Change 2017-2016</u>
Land	2.5	2.5	0
Construction in progress	.0	3.4	**
Infrastructure	.9	.7	29
Buildings and improvements	2.8	2.7	4
Equipment & Water System	37.9	34.2	11
Vehicles	.2	.2	0
Totals at historical cost	<u>44.3</u>	<u>43.7</u>	1
Total accumulated depreciation	<u>(19.8)</u>	<u>(19.2)</u>	-3
Net capital assets	<u>24.5</u>	<u>24.5</u>	0

The City's fiscal year 2018 capital budget projects spending do not reflect any major projects, except the continuation of the water system with restricted cash. More detailed information about the City's capital assets is presented in the notes to the financial statements.

Long Term Debt

At year-end the City had \$14,687,095 in bonds, notes and leases outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-5
City's Long-Term Debt
(In millions of dollars)

	<u>2017</u>	<u>2016</u>	<u>Total Percentage Change 2016-2017</u>
Leases payable	.1	.1	0
Bonds payable	14.1	14.8	-5
Notes payable	.5	.5	0
Compensated absences	.0	.0	**
Less deferred amount			
On refundings	(0)	(0)	**
Total bonds & notes payable	<u>14.7</u>	<u>15.4</u>	-5

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's budgetary general fund fund balance is expected to remain stable by the close of fiscal year 2018. More detailed information about the City's economic status is presented in the notes to the financial statements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Marlin's Business Services Department at P. O. Drawer 980, Marlin, Texas 76661 or phone number 254-883-1474.

Basic Financial Statements

CITY OF MARLIN**STATEMENT OF NET POSITION**

SEPTEMBER 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS:			
<i>Cash and Cash Equivalents</i>	\$ 511,888	\$ 390,941	\$ 902,829
<i>Receivables (net of allowances for uncollectibles)</i>	562,872	260,115	822,987
<i>Internal Balances</i>	344,166	(344,166)	--
<i>Bond Issuance Costs</i>	--	35,583	35,583
Restricted Assets:			
<i>Cash and Cash Equivalents</i>	--	1,669,086	1,669,086
<i>Investments</i>	--	91,474	91,474
Capital Assets (net of accumulated depreciation):			
<i>Land</i>	88,541	2,432,711	2,521,252
<i>Construction in Progress</i>	--	31,300	31,300
<i>Buildings, Equipment and System, net</i>	739,712	21,175,191	21,914,903
Total Assets	<u>2,247,179</u>	<u>25,742,235</u>	<u>27,989,414</u>
DEFERRED OUTFLOWS OF RESOURCES			
<i>Deferred Outflows Related to Pensions</i>	145,455	--	145,455
Total Deferred Outflows of Resources	<u>145,455</u>	<u>--</u>	<u>145,455</u>
LIABILITIES:			
<i>Accounts Payable and Other Current Liabilities</i>	94,077	94,903	188,980
<i>Accrued Interest Payable</i>	--	23,681	23,681
<i>Net Pension Liability</i>	824,785	--	824,785
<i>Liabilities Payable from Restricted Assets</i>	--	148,000	148,000
Noncurrent Liabilities-			
<i>Due within one year</i>	35,496	730,000	765,496
<i>Due in more than one year</i>	36,599	13,885,000	13,921,599
Total Liabilities	<u>990,957</u>	<u>14,881,584</u>	<u>15,872,541</u>
DEFERRED INFLOWS OF RESOURCES			
<i>Deferred Inflow Related to Pensions</i>	5,325	--	5,325
Total Deferred Inflows of Resources	<u>5,325</u>	<u>--</u>	<u>5,325</u>
NET POSITION:			
Net Investment in Capital Assets	756,158	7,689,973	8,446,131
Restricted For:			
Debt Service	362,738	--	362,738
Capital Expenditures	--	1,612,560	1,612,560
Other Purposes-Hotel\Motel	206,729	--	206,729
Unrestricted	70,727	1,558,118	1,628,845
Total Net Position	<u>\$ 1,396,352</u>	<u>\$ 10,860,651</u>	<u>\$ 12,257,003</u>

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (818,886)		\$ (818,886)
(1,149,099)		(1,149,099)
(205,528)		(205,528)
(14,135)		(14,135)
124,167		124,167
(5,701)		(5,701)
<u>(2,069,182)</u>		<u>(2,069,182)</u>
--	\$ 52,203	52,203
--	4,174	4,174
--	<u>56,377</u>	<u>56,377</u>
<u>(2,069,182)</u>	<u>56,377</u>	<u>(2,012,805)</u>
1,150,938	--	1,150,938
702,081	--	702,081
272,078	--	272,078
--	31,300	31,300
--	6,061	6,061
(100,000)	100,000	--
<u>2,025,097</u>	<u>137,361</u>	<u>2,162,458</u>
(44,085)	193,738	149,653
1,405,543	10,666,913	12,072,456
34,894	--	34,894
<u>\$ 1,396,352</u>	<u>\$ 10,860,651</u>	<u>\$ 12,257,003</u>

CITY OF MARLIN**BALANCE SHEET - GOVERNMENTAL FUNDS**
SEPTEMBER 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Assets:			
<i>Cash and Cash Equivalents</i>	\$ 305,159	\$ 206,729	\$ 511,888
<i>Receivables (net of allowances for uncollectibles)</i>	476,950	85,922	562,872
<i>Due from Other Funds</i>	175,000	276,816	451,816
Total Assets	<u>\$ 957,109</u>	<u>\$ 569,467</u>	<u>\$ 1,526,576</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES			
Liabilities:			
<i>Accounts Payable</i>	\$ 94,077	\$ --	\$ 94,077
<i>Due to Other Funds</i>	107,650	--	107,650
Total Liabilities	<u>201,727</u>	<u>--</u>	<u>201,727</u>
Deferred Inflows of Resources:			
<i>Unavailable Revenue-Property Taxes</i>	415,936	85,922	501,858
Total Deferred Inflows of Resources	<u>415,936</u>	<u>85,922</u>	<u>501,858</u>
Fund Balances:			
Restricted Fund Balances:			
<i>Restricted for Debt Service</i>	--	276,816	276,816
<i>Restricted for Other Purposes-Hotel/Motel</i>	--	206,729	206,729
Unassigned	339,446	--	339,446
Total Fund Balance	<u>339,446</u>	<u>483,545</u>	<u>822,991</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 957,109</u>	<u>\$ 569,467</u>	<u>\$ 1,526,576</u>

The accompanying notes are an integral part of this statement.

CITY OF MARLIN

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017*

Total fund balances - governmental funds balance sheet	\$ 822,991
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	828,253
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	501,858
Payables for capital leases which are not due in the current period are not reported in the funds.	(72,095)
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(824,785)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(5,325)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	145,455
Net position of governmental activities - Statement of Net Position	\$ <u>1,396,352</u>

The accompanying notes are an integral part of this statement.

CITY OF MARLIN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue:			
Taxes:			
General Property Taxes	\$ 987,733	\$ 108,441	\$ 1,096,174
General Sales and Use Taxes	702,081	--	702,081
Other Taxes - Severance Taxes	--	64,353	64,353
Other Taxes - Franchise Taxes	207,695	--	207,695
License and Permits	41,763	--	41,763
Intergovernmental	128,547	--	128,547
Charges for Services	644,630	--	644,630
Fines	225,710	--	225,710
Miscellaneous	87,116	--	87,116
Total revenues	<u>3,025,275</u>	<u>172,794</u>	<u>3,198,069</u>
Expenditures:			
Current:			
General Government	751,334	23,079	774,413
Public Safety	1,264,299	--	1,264,299
Highways and Streets	172,872	--	172,872
Sanitation	628,827	--	628,827
Grant Expenditures	4,380	--	4,380
Debt Service:			
Principal	34,427	105,000	139,427
Interest and Fiscal Charges	3,303	3,413	6,716
Capital Outlay:			
Infrastructure	174,399	--	174,399
Total Expenditures	<u>3,033,841</u>	<u>131,492</u>	<u>3,165,333</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,566)</u>	<u>41,302</u>	<u>32,736</u>
Other Financing Sources (Uses):			
Operating Transfers In	28	--	28
Operating Transfers Out	(100,000)	(28)	(100,028)
Total Other Financing Sources (Uses)	<u>(99,972)</u>	<u>(28)</u>	<u>(100,000)</u>
Net Change in Fund Balances	(108,538)	41,274	(67,264)
Fund Balances - Beginning	447,984	442,271	890,255
Fund Balances - Ending	<u>\$ 339,446</u>	<u>\$ 483,545</u>	<u>\$ 822,991</u>

The accompanying notes are an integral part of this statement.

CITY OF MARLIN

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017*

Net change in fund balances - total governmental funds	\$ (67,264)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	174,399
The depreciation of capital assets used in governmental activities is not reported in the funds.	(135,230)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	54,764
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	105,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	34,427
(Increase) decrease in accrued interest from beginning of period to end of period.	1,015
Pension contributions made after the measurement date but in current FY were de-expended and reduced not pension liability.	(211,196)
	<hr/>
Change in net position of governmental activities - Statement of Activities	\$ <u>(44,085)</u>

The accompanying notes are an integral part of this statement.

CITY OF MARLIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Enterprise Fund	Nonmajor Enterprise Fund	Total Enterprise Funds
	Utility Fund	Brushy Creek Project	
ASSETS:			
Current Assets:			
<i>Cash and Cash Equivalents</i>	\$ 339,497	\$ 51,444	\$ 390,941
<i>Receivables (net of allowances for uncollectibles)</i>	260,115	--	260,115
<i>Advances to other funds</i>	1,310,548	--	1,310,548
Total Current Assets	<u>1,910,160</u>	<u>51,444</u>	<u>1,961,604</u>
Noncurrent Assets:			
Restricted Cash, Cash Equivalents and Investments-			
<i>Cash</i>	1,669,086	--	1,669,086
<i>Investments</i>	--	91,474	91,474
<i>Bond Issuance Costs</i>	35,583	--	35,583
Capital Assets:			
<i>Land</i>	20,813	2,411,898	2,432,711
<i>Buildings</i>	44,093	--	44,093
<i>Machinery and Equipment</i>	38,054,700	--	38,054,700
<i>Construction in Progress</i>	31,300	--	31,300
<i>Less Accumulated Depreciation</i>	(16,923,602)	--	(16,923,602)
Total Noncurrent Assets	<u>22,931,973</u>	<u>2,503,372</u>	<u>25,435,345</u>
Total Assets	<u>24,842,133</u>	<u>2,554,816</u>	<u>27,396,949</u>
LIABILITIES:			
Current Liabilities:			
<i>Accounts payable</i>	94,903	--	94,903
<i>Due to other funds</i>	344,166	1,310,548	1,654,714
<i>Accrued interest payable</i>	23,681	--	23,681
<i>Notes payable - Current Portion</i>	75,000	--	75,000
<i>Revenue bonds payable-Current Portion</i>	655,000	--	655,000
Total Current Liabilities	<u>1,192,750</u>	<u>1,310,548</u>	<u>2,503,298</u>
Current Liabilities Payable from Restricted Assets-			
<i>Customer Deposits</i>	148,000	--	148,000
Total Current Liabilities Payable	<u>148,000</u>	<u>--</u>	<u>148,000</u>
From Restricted Assets	<u>148,000</u>	<u>--</u>	<u>148,000</u>
Noncurrent Liabilities:			
<i>Notes payable</i>	400,000	--	400,000
<i>Revenue bonds payable</i>	13,485,000	--	13,485,000
Total Noncurrent Liabilities	<u>13,885,000</u>	<u>--</u>	<u>13,885,000</u>
Total Liabilities	<u>15,225,750</u>	<u>1,310,548</u>	<u>16,536,298</u>
NET POSITION			
Net Investment in Capital Assets	6,588,623	1,101,350	7,689,973
Restricted For:			
Capital Expenditures	1,521,086	91,474	1,612,560
<i>Unrestricted Net Position</i>	1,506,674	51,444	1,558,118
Total Net Position	<u>\$ 9,616,383</u>	<u>\$ 1,244,268</u>	<u>\$ 10,860,651</u>

The accompanying notes are an integral part of this statement.

CITY OF MARLIN
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Enterprise Fund	Nonmajor Enterprise Fund	Total Enterprise Funds
	Utility Fund	Brushy Creek Project	
OPERATING REVENUES:			
Charges for Sales and Services:			
<i>Water Sales</i>	\$ 1,902,683	\$ --	\$ 1,902,683
<i>Sewer Charges - Pledged as Security</i>	781,677	--	781,677
<i>Tap Fees - Unpledged</i>	12,047	--	12,047
<i>Other</i>	37,287	4,174	41,461
<i>Penalties</i>	81,805	--	81,805
Total Operating Revenues	<u>2,815,499</u>	<u>4,174</u>	<u>2,819,673</u>
OPERATING EXPENSES:			
<i>Personal Services - Salaries and Wages</i>	1,096,434	--	1,096,434
<i>Purchased Professional and Technical Services</i>	582,791	--	582,791
<i>Supplies</i>	466,830	--	466,830
<i>Depreciation</i>	483,741	--	483,741
Total Operating Expenses	<u>2,629,796</u>	<u>--</u>	<u>2,629,796</u>
Operating Income	<u>185,703</u>	<u>4,174</u>	<u>189,877</u>
NON-OPERATING REVENUES (EXPENSES):			
<i>Intergovernmental Revenue</i>	31,300	--	31,300
<i>Interest Revenue</i>	6,061	--	6,061
<i>Interest Expense</i>	(133,500)	--	(133,500)
Total Non-operating Revenues (Expenses)	<u>(96,139)</u>	<u>--</u>	<u>(96,139)</u>
Income before Transfers	<u>89,564</u>	<u>4,174</u>	<u>93,738</u>
<i>Interfund Operating Transfers In</i>	100,000	--	100,000
<i>Interfund Operating Transfers Out</i>	--	--	--
Change in Net Position	<u>189,564</u>	<u>4,174</u>	<u>193,738</u>
Total Net Position - Beginning	9,426,819	1,240,094	10,666,913
Total Net Position - Ending	<u>\$ 9,616,383</u>	<u>\$ 1,244,268</u>	<u>\$ 10,860,651</u>

The accompanying notes are an integral part of this statement.

CITY OF MARLIN**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS****FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Enterprise Fund	Nonmajor Enterprise Fund	Total Enterprise Funds
	Utility Fund	Brushy Creek Project	
Cash Flows from Operating Activities:			
<i>Cash Received from Customers</i>	\$ 2,772,888	\$ 4,174	\$ 2,777,062
<i>Cash Payments to Employees for Services</i>	(1,096,434)	--	(1,096,434)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(1,110,864)	--	(1,110,864)
<i>Other Operating Cash Receipts (Payments)</i>	--	--	--
Net Cash Provided (Used) by Operating Activities	565,590	4,174	569,764
Cash Flows from Non-capital Financing Activities:			
<i>Non Operating Fees</i>	--	--	--
<i>Transfers From (To) Other Funds</i>	100,000	--	100,000
Net Cash Provided (Used) by Non-capital Financing Activities	100,000	--	100,000
Cash Flows from Capital and Related Financing Activities:			
<i>Proceeds from Issuance of Long-term Debt</i>	--	--	--
<i>Principal Paid</i>	(605,000)	--	(605,000)
<i>Interest Paid</i>	(133,500)	--	(133,500)
<i>Acquisition or Construction of Capital Assets</i>	(355,560)	--	(355,560)
<i>Decrease (Increase) in Restricted Cash</i>	416,378	--	416,378
<i>Decrease (Increase) in Bond Issuance Costs</i>	6,188	--	6,188
<i>Capital Grants</i>	31,300	--	31,300
Net Cash Provided (Used) for Capital & Related Financing Activities	(640,194)	--	(640,194)
Cash Flows from Investing Activities:			
<i>Purchase of Investment Securities</i>	--	(631)	(631)
<i>Interest and Dividends on Investments</i>	6,061	--	6,061
Net Cash Provided (Used) for Investing Activities	6,061	(631)	5,430
Net Increase (Decrease) in Cash and Cash Equivalents	31,457	3,543	35,000
Cash and Cash Equivalents at Beginning of Year	308,040	47,901	355,941
Cash and Cash Equivalents at End of Year	\$ 339,497	\$ 51,444	\$ 390,941
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 185,703	\$ 4,174	\$ 189,877
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
<i>Depreciation</i>	483,741	--	483,741
Change in Assets and Liabilities:			
<i>Decrease (Increase) in Receivables</i>	(42,611)	--	(42,611)
<i>Increase (Decrease) in Accounts Payable</i>	28,275	--	28,275
<i>Increase (Decrease) in Accrued Interest Payable</i>	(5,791)	--	(5,791)
<i>Increase (Decrease) in Consumer Deposits</i>	(83,727)	--	(83,727)
Total Adjustments	379,887	--	379,887
Net Cash Provided (Used) by Operating Activities	\$ 565,590	\$ 4,174	\$ 569,764

The accompanying notes are an integral part of this statement.

CITY OF MARLIN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

A. Summary of Significant Accounting Policies

The combined financial statements of City of Marlin (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City and there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

Based on these criteria, the City has no component units. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

CITY OF MARLIN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major enterprise funds:

Utility Fund. This fund accounts for the revenues and expenses associated with providing water and sewer service to the citizens of the City.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

CITY OF MARLIN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	25-50
Building Improvements	20
Vehicles	7-15
Office Equipment	5-15
Computer Equipment	5-7

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. There is an allowance for uncollectible receivables of \$24,172.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Pensions

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

CITY OF MARLIN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

i. Compensated Absences

On retirement or death of certain employees, the City pays any accrued vacation leave in a lump case payment to such employee or his/her estate. Accumulated vacation must be taken within 15 months of the employee's anniversary date on which it is earned. Vacation not taken within this time frame will be automatically canceled and no pay will be given in lieu thereof.

CITY OF MARLIN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

j. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

k. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide statement of net position and governmental funds balance sheet 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

4. In fiscal year 2017, the City adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*
- Statement No. 82, *Pension Issues-An Amendment of GASB No. 67, No. 68 and No. 73*

- a. Statement No. 78 requires state and local governments through a cost-sharing multiple-employer defined benefit pension plan that is not a state or local government pension plan, is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local employers, and has no predominant state or local government employer to measure pension expense, expenditures and liabilities and note disclosures.
- b. Statement No. 82 addresses issues regarding presentation of payroll-related measures, the selection of assumptions and treatment of deviations and classification of payments by employers to satisfy payments by employers to satisfy contribution requirements.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

CITY OF MARLIN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

C. Deposits and Investments

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

Cash Deposits:

At September 30, 2017, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$984,612 and the bank balance was \$1,154,593. The City's cash deposits at September 30, 2017 and during the year ended September 30, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. There is also \$1,587,303 in escrowed trust funds that are classified as restricted assets.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investments at September 30, 2017 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Texpool	N/A	\$ 91,474
Total Investments		<u>\$ 91,474</u>

CITY OF MARLIN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

At September 30, 2017, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, have no credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

CITY OF MARLIN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA- or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 88,541	\$ --	\$ --	\$ 88,541
Total capital assets not being depreciated	88,541	--	--	88,541
<i>Capital assets being depreciated:</i>				
Infrastructure	693,557	174,399	--	867,956
Buildings, improvements and equipment	2,568,882	--	--	2,568,882
Leased Assets	181,100	--	--	181,100
Total capital assets being depreciated	3,443,539	174,399	--	3,617,938
Less accumulated depreciation for:				
Infrastructure	(215,597)	(28,932)	--	(244,529)
Buildings, improvements and equipment	(2,491,179)	(88,188)	--	(2,579,367)
Leased Assets	(36,220)	(18,110)	--	(54,330)
Total accumulated depreciation	(2,742,996)	(135,230)	--	(2,878,226)
Total capital assets being depreciated, net	700,543	39,169	--	739,712
Governmental activities capital assets, net	\$ 789,084	\$ 39,169	\$ --	\$ 828,253

* Prior period increase adjustment for \$34,894.

CITY OF MARLIN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,432,711	\$ --	\$ --	\$ 2,432,711
Construction in progress	3,360,016	31,300	3,360,016	31,300
Total capital assets not being depreciated	5,792,727	31,300	3,360,016	2,464,011
<i>Capital assets being depreciated:</i>				
Buildings and improvements	44,093	--	--	44,093
Equipment	723,859	--	--	723,859
Vehicles	164,151	--	--	164,151
Water & Sewer System	33,482,414	324,260	(3,360,016)	37,166,690
Total capital assets being depreciated	34,414,517	324,260	(3,360,016)	38,098,793
Less accumulated depreciation for:				
Buildings and improvements	(44,093)	--	--	(44,093)
Equipment	(718,742)	(5,117)	--	(723,859)
Vehicles	(164,151)	--	--	(164,151)
Water & Sewer System	(15,512,875)	(478,624)	--	(15,991,499)
Total accumulated depreciation	(16,439,861)	(483,741)	--	(16,923,602)
Total capital assets being depreciated, net	17,974,656	(159,481)	(3,360,016)	21,175,191
Business-type activities capital assets, net	\$ 23,767,383	\$ (128,181)	\$ --	\$ 23,639,202

Depreciation was charged to functions as follows:

General Government	\$ 36,870
Public Safety	60,192
Highways & Streets	8,230
Sanitation	29,938
	<u>\$ 135,230</u>

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2017, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Utility Fund	\$ 175,000	Short-term Loans
Utility Fund	Nonmajor Enterprise Funds	1,310,548	Short-term Loans
Other Governmental Funds	General Fund	107,650	Short-term Loans
Other Governmental Funds	Utility Fund	169,166	Short-term Loans
	Total	<u>\$ 1,762,364</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2017, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Other Governmental Funds	General Fund	\$ 28	Supplement other funds sources
General Fund	Utility Fund	100,000	Supplement other funds sources
	Total	<u>\$ 100,028</u>	

CITY OF MARLIN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 105,000	\$ --	\$ (105,000)	\$ --	\$ --
Capital leases	106,522	--	(34,427)	72,095	35,496
Total governmental activities	<u>\$ 211,522</u>	<u>\$ --</u>	<u>\$ (139,427)</u>	<u>\$ 72,095</u>	<u>\$ 35,496</u>

Bonds

Series 2010 General Obligation Improvement Bonds in the original amount of \$675,000 at the rate of 3.25% due in annual installments ranging from \$90,000 to \$105,000 through 2017. The balance at September 30, 2017 is \$0.

Leases

Lease in an original amount of \$141,100 to purchase equipment in June 2015 at the rate of 3.1% in yearly installments of \$37,730 to mature in June of 2019. The balance at September 30, 2017 is \$72,095.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Business-type activities:</u>					
Revenue bonds	\$ 14,675,000	\$ --	\$ (535,000)	\$ 14,140,000	\$ 655,000
Notes	545,000	--	(70,000)	475,000	75,000
Total business-type activities	<u>\$ 15,220,000</u>	<u>\$ --</u>	<u>\$ (605,000)</u>	<u>\$ 14,615,000</u>	<u>\$ 730,000</u>

Bonds

Series 2005A Certificates of Obligation Bonds (Revenue Bonds) in the original amount of \$2,255,000 at the rate of 0% due in annual installments ranging from \$10,000 to \$180,000 through February 15, 2026. The balance at September 30, 2017 is \$1,610,000.

Series 2005B Certificates of Obligation Bonds (Revenue Bonds) in the original amount of \$10,710,000 at the rate of 0% due in annual installments ranging from \$50,000 to \$520,000 through September 30, 2036. The balance at September 30, 2017 is the amount that has been drawn, less repayment of \$2,216,000, for a net of \$7,900,000.

Series 2012 Certificates of Obligation Bonds (Revenue Bonds) in the original amount of \$3,000,000 at the rate of approximately 2.3% due in annual installments ranging from \$5,000 to \$260,000 through July 2042. The balance at September 30, 2017 is \$2,970,000. Of these proceeds, \$1,084,020 is in restricted cash for future construction.

CITY OF MARLIN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

Series 2012A Certificates of Obligation Bonds (Revenue Bonds) in the original amount of \$1,680,000 at the rate of approximately 2.3% due in annual installments ranging from \$5,000 to \$90,000 through July 2042. The balance at September 30, 2017 is \$1,660,000. In conjunction with this loan from the Texas Water Development Board there was an additional amount of \$1,227,908 received in a prior year in funds classified as loan forgiveness. Of these proceeds, \$497,678 is in restricted cash for future construction.

Utility revenues are pledged to pay for these bond issues and they exceeded the debt service of \$738,500.

Notes

Tax Note Series 2016 for \$545,000 was issued during the year for working capital purposes at the rate of 2.6%. It is repayable in principal payments of \$70,000 to \$85,000 maturing in 2023. The balance at September 30, 2017 is \$475,000.

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2017, are as follows:

Year Ending September 30,	Governmental Activities-Leases		
	Principal	Interest	Total
2018	\$ 35,496	\$ 2,234	\$ 37,730
2019	36,599	1,131	37,730
Totals	\$ 72,095	\$ 3,365	\$ 75,460

Year Ending September 30,	Business-type Activities Bonds		
	Principal	Interest	Total
2018	\$ 655,000	116,527	\$ 771,527
2019	655,000	115,270	770,270
2020	660,000	113,607	773,607
2021	665,000	528,265	1,193,265
2022	665,000	108,815	773,815
2023-2027	3,385,000	405,723	3,790,723
2028-2032	3,475,000	417,859	3,892,859
2033-2037	3,200,000	274,526	3,474,526
2038-2042	780,000	106,293	886,293
Totals	\$ 14,140,000	\$ 2,186,885	\$ 16,326,885

On the 2005B issue of \$10,710,000, \$330,000 was never funded by the City. Only the \$10,380,000 that was drawn less a \$2,480,000 repayment is reflected as a liability in the Utility Fund.

Year Ending September 30,	Business-type Activities Notes		
	Principal	Interest	Total
2017	\$ 75,000	\$ 12,445	\$ 87,445
2018	75,000	10,480	85,480
2019	80,000	8,515	88,515
2020	80,000	6,419	86,419
2021	80,000	2,378	82,378
2022-2026	85,000	2,227	87,227
Totals	\$ 475,000	\$ 42,464	\$ 517,464

G. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2017, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State

CITY OF MARLIN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

H. Pension Plan

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

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

2. 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.

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	47
Inactive employees entitled to but not yet receiving benefits	91
Active employees	55
Total covered employees	<u>193</u>

CITY OF MARLIN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

3. 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 were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.64% and 9.5% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were \$145,349, and were equal to the required contributions.

4. 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 3.0% per year

Overall payroll growth 3.0% per year

Investment Rate of Return 6.75%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial investigation of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2016 valuation.

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

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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF MARLIN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 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 Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2015	\$ 4,981,052	\$ 4,171,973	\$ 809,079
Changes for the year			
Service cost	200,420	--	200,420
Interest	331,701	--	331,701
Change of benefit terms	--	--	--
Difference between expected and actual experience	(8,899)	--	(8,899)
Changes of assumptions	--	--	--
Contributions - employer	--	144,545	(144,545)
Contributions - employee	--	84,852	(84,852)
Net investment income	--	281,475	(281,475)
Benefit payments, including refunds of employee contributions	(334,343)	(334,343)	--
Administrative expense	--	(3,184)	3,184
Other changes	--	(172)	172
Net changes	188,879	173,173	15,706
Balance at 12/31/2016	\$ 5,169,931	\$ 4,345,146	\$ 824,785

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

CITY OF MARLIN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

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.

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
City's net pension liability	\$ 1,573,113	\$ 824,785	\$ 225,719
Pension Plan Fiduciary Net Position		4,345,146	

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

5. 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 \$356,575.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ --	\$ (5,325)
Changes in actuarial assumptions	--	--
Difference between projected and actual investment earnings	106	--
Contributions subsequent to the measurement date	145,349	--
Total	<u>\$ 145,455</u>	<u>\$ (5,325)</u>

\$145,349 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec. 31:	
2018	\$ 54,400
2019	\$ 68,655
2020	\$ 59,503
2021	\$ 25
2022	\$ --
Thereafter	\$ --

CITY OF MARLIN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

I. Health Care Coverage

During the year ended September 30, 2017, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$140 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the third party administrator is renewable October 1, 2017, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the First Care HMO are available for the year ended December 31, 2017, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

J. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the City at September 30, 2017.

K. Prior Period Adjustment

The City received a \$34,894 grant in the prior year to purchase a police car and the transaction was not recorded. On Exhibit A-1 the beginning Net Position and Equipment for the Governmental Activities is increased by this amount.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF MARLIN

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
General Property Taxes	\$ 1,058,202	\$ 1,058,202	\$ 987,733	\$ (70,469)
General Sales and Use Taxes	684,365	684,365	702,081	17,716
Other Taxes - Franchise Taxes	218,008	218,008	207,695	(10,313)
License and Permits	24,420	24,420	41,763	17,343
Intergovernmental	120,383	120,383	128,547	8,164
Charges for Services	644,630	644,630	644,630	--
Fines	243,560	243,560	225,710	(17,850)
Miscellaneous	112,781	112,781	87,116	(25,665)
Total revenues	<u>3,106,349</u>	<u>3,106,349</u>	<u>3,025,275</u>	<u>(81,074)</u>
Expenditures:				
Current:				
General Government	560,697	760,697	751,334	9,363
Public Safety	1,586,362	1,286,362	1,264,299	22,063
Highways and Streets	331,922	214,522	172,872	41,650
Sanitation	653,630	653,630	628,827	24,803
Grant Expenditures	--	4,400	4,380	20
Debt Service:				
Principal	--	34,500	34,427	73
Interest and Fiscal Charges	--	3,500	3,303	197
Capital Outlay:				
Infrastructure	--	175,000	174,399	601
Total Expenditures	<u>3,132,611</u>	<u>3,132,611</u>	<u>3,033,841</u>	<u>98,770</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(26,262)</u>	<u>(26,262)</u>	<u>(8,566)</u>	<u>17,696</u>
Other Financing Sources (Uses):				
Operating Transfers In	--	30	28	(2)
Operating Transfers Out	--	(100,000)	(100,000)	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>(99,970)</u>	<u>(99,972)</u>	<u>2</u>
Net Change in Fund Balances	(26,262)	(126,232)	(108,538)	17,694
Fund Balances - Beginning	447,984	447,984	447,984	--
Fund Balances - Ending	<u>\$ 421,722</u>	<u>\$ 321,752</u>	<u>\$ 339,446</u>	<u>\$ 17,694</u>

CITY OF MARLIN
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
City's proportion of the net pension liability (asset)	100.000%	100.000%	--	--	--	--	--	--	--	--
City's proportionate share of the net pension liability (asset)	\$ 824,785	\$ 809,079	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the City	--	--	--	--	--	--	--	--	--	--
Total	\$ 824,785	\$ 809,079	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
City's covered-employee payroll	\$ 1,697,032	\$ 1,512,467	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	48.60%	53.49%	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	84.05%	83.76%	--	--	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

CITY OF MARLIN
SCHEDULE OF CITY CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 145,349	\$ 143,763	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(145,349)	(143,763)	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
City's covered-employee payroll	\$ 1,529,623	\$ 1,697,032	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	9.50%	8.47%	--	--	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

CITY OF MARLIN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2017

Budget

The official budget was prepared for adoption for the General Fund and Debt Service Fund. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to September 30 of the proceeding fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Council is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Council.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Council. Amendments are presented to the Board at its regular meetings.

Each amendment must have Council approval. Such amendments are made before the fact, are reflected in the official minutes of the Council and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Council. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions

There were changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

CITY OF MARLIN

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT B-5

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Taxes:			
<i>General Property Taxes</i>	\$ 109,000	\$ 108,441	\$ (559)
Total revenues	<u>109,000</u>	<u>108,441</u>	<u>(559)</u>
Expenditures:			
Debt Service:			
<i>Principal</i>	105,000	105,000	--
<i>Interest and Fiscal Charges</i>	3,413	3,413	--
Total Expenditures	<u>108,413</u>	<u>108,413</u>	<u>--</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>587</u>	<u>28</u>	<u>(559)</u>
Other Financing Sources (Uses):			
<i>Operating Transfers Out</i>	(28)	(28)	--
Total Other Financing Sources (Uses)	<u>(28)</u>	<u>(28)</u>	<u>--</u>
Net Change in Fund Balances	559	--	(559)
Fund Balances - Beginning	276,816	276,816	--
Fund Balances - Ending	<u>\$ 277,375</u>	<u>\$ 276,816</u>	<u>\$ (559)</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**HUDSON ANDERSON, CPA
FRANK MARX, III, CPA
DORI BOHL, CPA & CFE**

Independent Auditors' Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Board of Trustees
City of Marlin
P. O. Drawer 980
Marlin, Texas 76661

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Marlin, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise City of Marlin's basic financial statements, and have issued our report thereon dated September 18, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2017-1 and 2017-2 to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Anderson, Marx & Bohl, P.C.

Anderson, Marx & Bohl, P.C.

Corsicana, Texas
September 18, 2018

CITY OF MARLIN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?

X

Yes

No

One or more significant deficiencies identified that
are not considered to be material weaknesses?

Yes

X

None Reported

Noncompliance material to financial
statements noted?

Yes

X

No

B. Financial Statement Findings

2017-1 Bank Reconciliations

Condition: Some bank reconciliations do not tie to the general ledger.

Criteria: Internal control procedures should be in place to assure that bank reconciliations tie to the general ledger.

Effect: Without a monthly reconciliation being tied to the general ledger, cash balance controls are not functioning as designed.

Cause: The year end bank reconciliation of the operating accounts' outstanding checks and deposits list was not correct and this produced the wrong ending reconciled cash balance.

Recommendation: The City needs to tie its reconciled bank statement balances to the balances that are present in the general ledger, investigate any differences and make proper adjustments.

City's response: The city secretary will be able to reconcile after September 30, 2017 adjustments are posted.

2017-2 Disbursement Documentation

Condition: Some disbursements do not have adequate disbursement documentation.

Criteria: Internal control procedures should be in place to assure disbursements will not be made without adequate documentation.

Effect: Without adequate documentation a disbursement could be improper.

Cause: Some disbursements were completed without proper documentation.

Recommendation: The City needs to have documentation in hand before making a disbursement.

City's response: The city secretary will make sure documentation has been obtained before approving a disbursement.

CITY OF MARLIN**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Some bank reconciliations do not tie to the general ledger.	Not Corrected	New finance personnel working to improve process.
Some disbursements do not have adequate disbursement documentation	Not Corrected	Improvement noted

CITY OF MARLIN***CORRECTIVE ACTION PLAN******FOR THE YEAR ENDED SEPTEMBER 30, 2017***

The City clerk, after posting the September 30, 2017 audit adjustments, will be able to make the bank reconciliation process function properly. Vikki Grimes at 254-883-1474 will be responsible.

The City will obtain proper documentation before approving a disbursement. Vikki Grimes at 254-883-1474 will be responsible.