

ANNUAL FINANCIAL REPORT
OF THE
CITY OF ATHENS, TEXAS

FOR

FISCAL YEAR ENDED

SEPTEMBER 30, 2016

City Manager
Philip Rodriguez, MPA

Director of Finance
Marty Course, CGFO



**CITY OF ATHENS, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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INTRODUCTORY SECTION



City of Athens, Texas
City Council
For the Year Ended September 30, 2016

| | |
|------------------|----------------|
| Jerry Don Vaught | Mayor |
| Tres Winn | Mayor Pro-Tem |
| Joe Whatley | Council Member |
| Edward McCain | Council Member |
| Monte Montgomery | Council Member |



FINANCIAL SECTION





Michael Conway, CPA
Neil Conway, CPA

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American Institute of CPAs
Texas Society of CPAs

May 19, 2017

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Athens
508 East Tyler
Athens, Texas 75751

Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Athens, Texas ("City") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Athens, Texas, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the TMRS Funding Progress and Contributions and Schedule of Changes in Net Pension Liability on pages 7 to 16, 55 and 56 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's basic financial statements. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 19, 2017, on our consideration of the City of Athens, Texas' 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Athens, Texas' internal control over financial reporting and compliance.

Respectfully Submitted,

CONWAY COMPANY CPAs, P.C.

Conway Company CPAs, P.C.

Rockwall, Texas

May 19, 2017



CITY OF ATHENS, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2016

As management of the City of Athens ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$16,729,321 (net position). Of this amount \$19,204,532, or 115%, is net investment in capital assets. Net position restricted for specific purposes is \$108,552, or 1%. The remaining amount of (\$2,583,763) , or (15%), (unrestricted net position) may not be used to meet the City's ongoing obligations to its citizens and creditors in accordance with fund designation and fiscal policies because it is negative.
- The City's total net position increased by \$1,868,219, or 3%, excluding prior period adjustments.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,029,668, a decrease of (\$510,210), or (8%) in comparison to the prior year. Approximately 29% of this total amount, or \$1,775,560, is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,775,560, or 16%, of total general fund expenditures. The decrease in fund balance for the General Fund in the amount of (\$441,954) is due to a slight decrease in tax revenues.
- At the end of the current fiscal year, unrestricted fund balance for the Utility Fund was \$631,345 , or 15%, of total Utility fund expenditures. The increase in fund balance for the Utility Fund in the amount of \$1,003,275 is due to the maintenance of service revenues.
- The City's total long-term debt decreased by (\$1,006,266), or (18%), during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Athens' basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

**CITY OF ATHENS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016**

Basic Financial Statements

The first two statements (pages 19-21) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 22-29) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes** on pages 30-51. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** is provided to show details about the City's pension plan on pages 55-57.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property and sales taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the utility services offered by the City. The final category is the component unit.

The government-wide financial statements are on pages 19 - 21 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the State Statutes, City Charter or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**CITY OF ATHENS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016**

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City’s basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City’s programs. The relationship between government activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and the Capital Projects Fund. The Governmental Fund financial statements can be found on pages 22-29 of this report.

The City adopts an annual budget for its General Fund, as required by the City Charter and/or State Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison schedule uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The schedule shows four columns: 1) the original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City has one type of proprietary fund which is the Utility Fund. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary Funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 27-29 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 30 – 51 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City’s progress in funding its obligation to provide pension benefits to its employees.

**CITY OF ATHENS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016**

New Pronouncements – The following statements for GASB were effective for the City in the fiscal year ending September 30, 2016:

GASB Statement No. 72, "Fair Value Measurement and Application" addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and, also, provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements. The City is evaluating the potential changes to the financial statements as a result of the implementation of this statement.

**CITY OF ATHENS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016**

Statement of Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Current and other assets | \$ 6,998,566 | \$ 7,267,663 | \$ 3,941,195 | \$ 3,024,412 | \$ 10,939,761 | \$ 10,292,075 |
| Capital assets | 8,339,657 | 7,406,646 | 13,884,674 | 13,617,506 | 22,224,331 | 21,024,152 |
| Total assets | <u>15,338,223</u> | <u>14,674,309</u> | <u>17,825,869</u> | <u>16,641,918</u> | <u>33,164,092</u> | <u>31,316,227</u> |
| Deferred outflow-pension | 1,728,786 | 278,179.00 | 392,650 | 219,910 | 2,121,436 | - |
| Long-term liabilities | 9,969,241 | 10,706,295 | 5,498,213 | 5,646,830 | 15,467,454 | 16,353,125 |
| Current liabilities | 968,900 | 733,781 | 793,987 | 247,823 | 1,762,887 | 981,604 |
| Total liabilities | <u>10,938,141</u> | <u>11,440,076</u> | <u>6,292,200</u> | <u>5,894,653</u> | <u>17,230,341</u> | <u>17,334,729</u> |
| Deferred inflow-pension | 78,750 | 278,179 | 17,886 | 61,229 | 96,636 | 339,408 |
| Net position: | | | | | | |
| Net investment in capital assets | 7,926,657 | 5,581,734 | 11,277,875 | 9,807,506 | 19,204,532 | 15,389,240 |
| Restricted | 108,552 | 199,560 | - | - | 108,552 | 199,560 |
| Unrestricted | (3,215,109) | (1,826,138) | 631,346 | 1,098,440 | (2,583,763) | (727,698) |
| Total net position | <u>\$ 4,820,100</u> | <u>\$ 3,955,156</u> | <u>\$ 11,909,221</u> | <u>\$ 10,905,946</u> | <u>\$ 16,729,321</u> | <u>\$ 14,861,102</u> |

As noted earlier, net position may serve over time as one useful indicator of a City's financial condition. The net position of the City exceeded liabilities by \$16,729,321 as of September 30, 2016. The City's net position increased by \$1,868,219, or 13%, excluding prior period adjustments, for the fiscal year ended September 30, 2016.

Net investment in capital assets:

The largest portion of the City's net position, \$19,204,532, or 115%, reflects the investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:

The restricted net position of \$108,552, or 1%, of total net position represents resources that are subject to external restrictions on their use, or by enabling legislation. Restricted net position is comprised of state and contractually imposed restrictions which are \$2,611, or 2%, debt obligations, nonspendable endowment funds of \$11,459, or 11%, \$102,577, or 93%, restricted for court use, \$3,364 or 3% for hotel use and \$686 for HOME program.

Unrestricted net position:

Unrestricted net position of (\$2,583,763), or -15%, is not available to fund City programs to citizens and debt obligations to creditors. The reason this is unavailable is because it is negative.

**CITY OF ATHENS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016**

The City of Athens' Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Totals | |
|--|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| REVENUE: | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 1,213,708 | \$ 532,625 | \$ 5,808,556 | \$ 4,757,764 | \$ 7,022,264 | \$ 5,290,389 |
| Operating Grants and Contributions | - | 236,030 | - | 42,406 | - | 278,436 |
| Capital Grants and Contributions | 18,206 | - | - | - | 18,206 | - |
| General Revenues: | | | | | | |
| Property Taxes | 3,813,351 | 4,195,088 | - | - | 3,813,351 | 4,195,088 |
| Sales Taxes | 4,008,787 | 4,043,932 | - | - | 4,008,787 | 4,043,932 |
| Franchise Taxes | 900,757 | 933,540 | - | - | 900,757 | 933,540 |
| Hotel/Motel Tax | 304,113 | 309,914 | - | - | 304,113 | 309,914 |
| Investment Income | 21,694 | 19,246 | 30,852 | 8,484 | 52,546 | 27,730 |
| Miscellaneous | 104,775 | 77,396 | - | 2,330 | 104,775 | 79,726 |
| Total Revenues | 10,385,391 | 10,347,771 | 5,839,408 | 4,810,984 | 16,224,799 | 15,158,755 |
| EXPENSES: | | | | | | |
| Program Expenses: | | | | | | |
| General Government | 1,735,175 | 1,441,038 | - | - | 1,735,175 | 1,441,038 |
| Public Safety | 5,972,053 | 5,458,949 | - | - | 5,972,053 | 5,458,949 |
| Public Services and Operations | 363,906 | 362,395 | - | - | 363,906 | 362,395 |
| Public Works | 1,381,199 | 1,243,281 | - | - | 1,381,199 | 1,243,281 |
| Parks and Recreation | 535,179 | 719,587 | - | - | 535,179 | 719,587 |
| Sanitation | 182,220 | 374,544 | - | - | 182,220 | 374,544 |
| Interest on Long-Term Debt | 54,882 | 77,520 | - | - | 54,882 | 77,520 |
| Utility | - | - | 4,131,966 | 4,199,879 | 4,131,966 | 4,199,879 |
| Total Expenses | 10,224,614 | 9,677,314 | 4,131,966 | 4,199,879 | 14,356,580 | 13,877,193 |
| Increase in Net Position before Transfers | 160,777 | 670,457 | 1,707,442 | 611,105 | 1,868,219 | 1,281,562 |
| Other Revenues and Financing Sources (uses) | | | | | | |
| Transfers | 704,167 | 650,000 | (704,167) | (650,000) | - | - |
| Total Other Financing Sources (uses) | 704,167 | 650,000 | (704,167) | (650,000) | - | - |
| Increase in Net Position | 864,944 | 1,320,457 | 1,003,275 | (38,895) | 1,868,219 | 1,281,562 |
| Net Position, October 1 | 3,955,156 | 9,901,506 | 10,905,946 | 12,590,339 | 14,861,102 | 22,491,845 |
| Prior Period Adjustments | - | (7,266,807) | - | (1,645,498) | - | (8,912,305) |
| Net Position, September 30 | \$ 4,820,100 | \$ 3,955,156 | \$ 11,909,221 | \$ 10,905,946 | \$ 16,729,321 | \$ 14,861,102 |

Governmental activities increased net position. This is due in part to the maintenance of the current tax rate which allows revenues overall expenditures of (\$104,186) or (6%) and an increase in transfers of \$45,951.

Business-type activities decreased net position, excluding prior period adjustments, by \$1,003,275. This increased over the prior year due to an increase in service revenues.

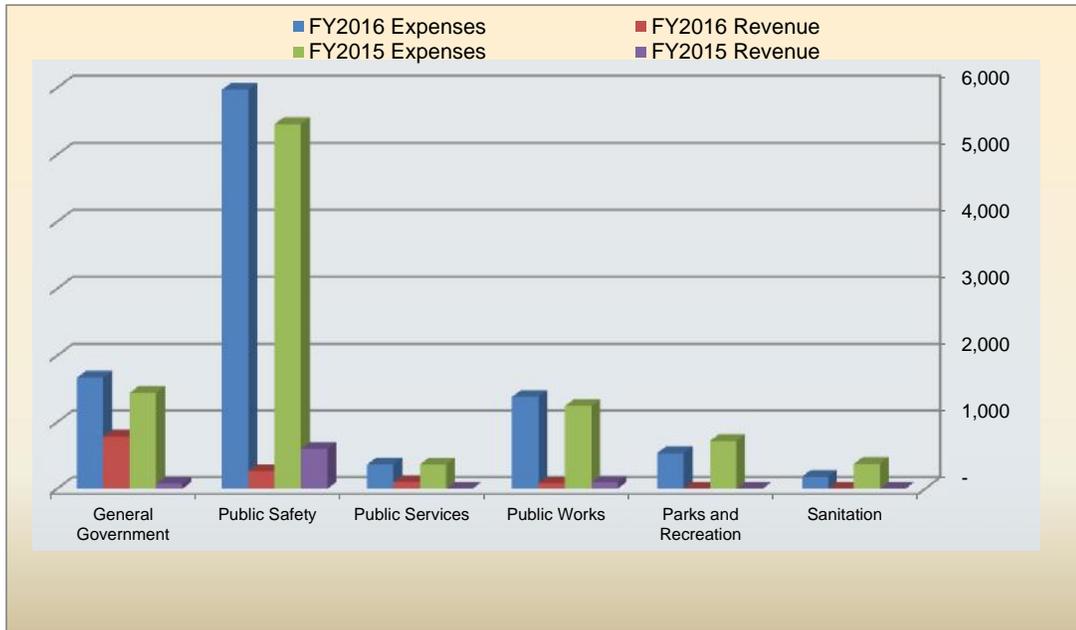
**CITY OF ATHENS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016**

Governmental-type activities - Governmental-type activities increased the City's net position by \$864,944, excluding prior period adjustments. Key elements of this increase are as follows:

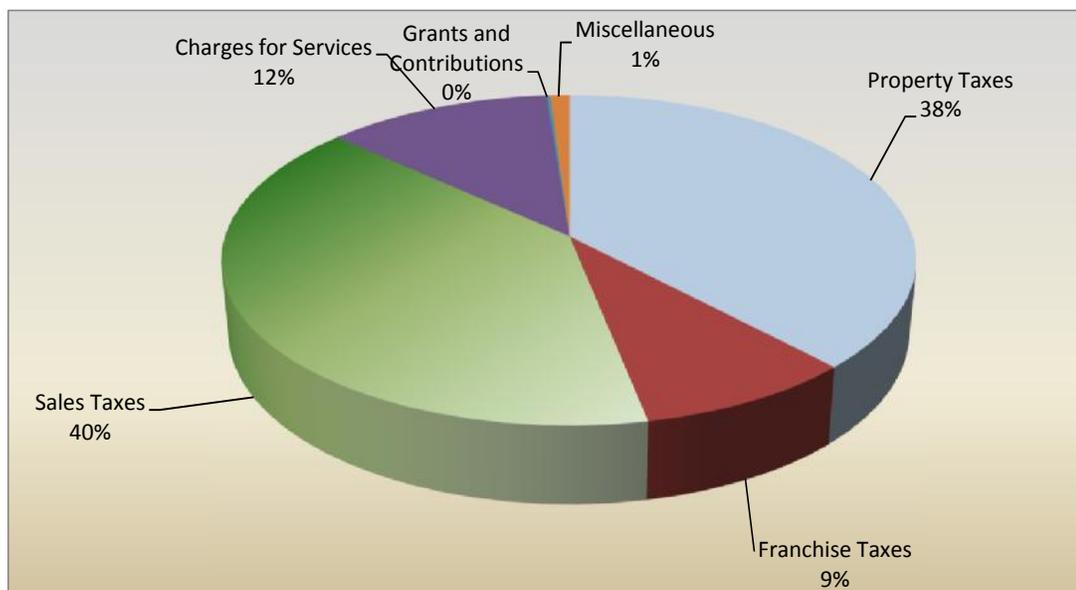
Tax revenues collected decreased 5%.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues by Source - Governmental Activities

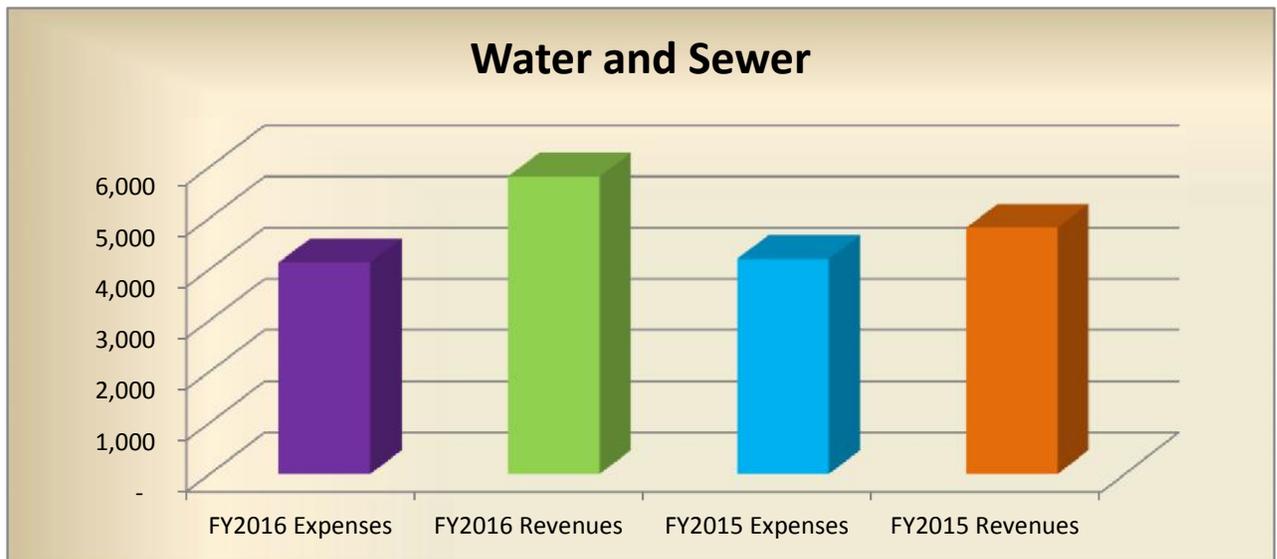


**CITY OF ATHENS, TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)
 SEPTEMBER 30, 2016**

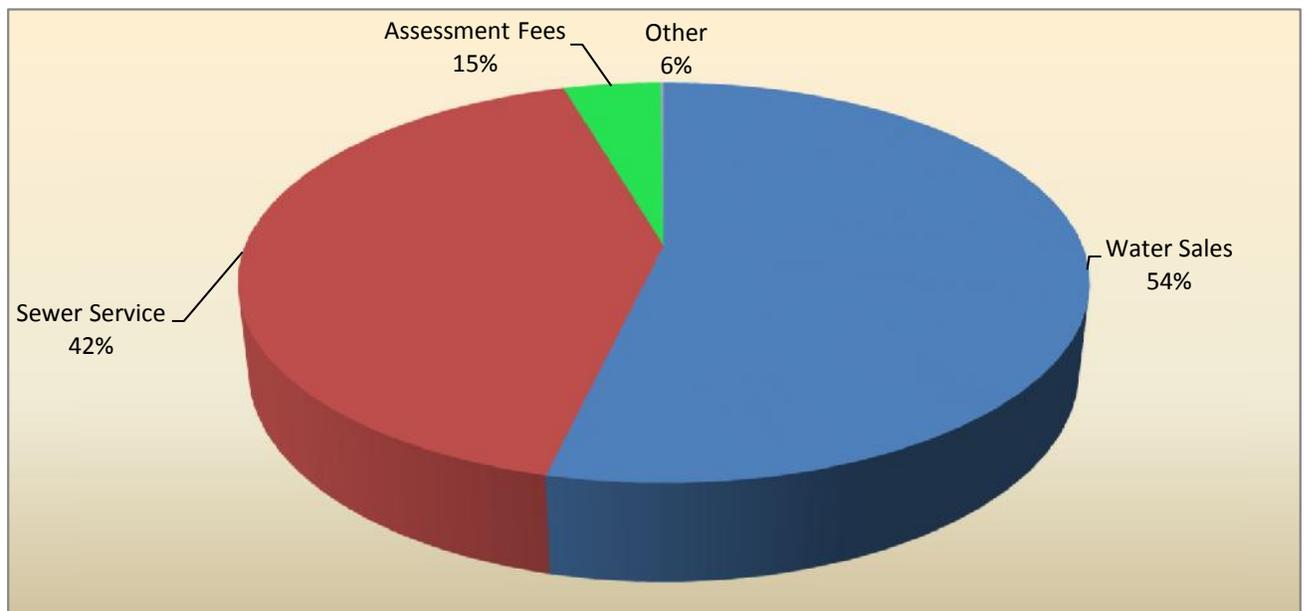
Business-type Activities - Business-type activities increased the City's net position by \$1,003,275, excluding prior period adjustments. Key elements of this increase are as follows:

Operating revenues exceeded expenditures \$1,707,442.

Expenditures and Program Revenues - Business-type Activities
 (amounts expressed in thousands)



Revenues by Source - Business-type Activities



**CITY OF ATHENS, TEXAS
MANAGEMENT AND DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016**

Financial Analysis of the City's Funds

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

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

At September 30, 2016, the governmental funds of the City reported a combined fund balance of \$6,029,668, a (8%) decrease when compared to the prior year. The components of total fund balance are as follows:

Nonspendable fund balance of \$11,459, or .2%, of total fund balance are inventory and prepaid items that do not reflect available cash.

Restricted fund balance of \$108,552, or 1.8%, of total fund balance consists of the following:

- requirements for capital acquisitions of \$102,577, or 94.5%;
- restrictions for debt of \$2,611, or 2.4%;
- other restrictions of \$3,364, or 3.1%;

Committed fund balance of \$1,833,735, or 30.41%, of total fund balance for capital acquisitions and emergency reserve.

Assigned fund balance of \$987,242, or 16.37%, of total fund balance for the airport, hotel tax, and other funds.

Unassigned fund balance of \$1,775,560, or 29.45%, of total fund balance represents residual fund balance that has not been restricted, committed, or assigned.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund was \$1,775,560, compared to \$4,371,354 at the end of the prior year. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 16% of total expenditures.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were significantly more than the budgeted amounts and expenditures were less than budget.

Budget adjustments were made to adjust salary levels between departments, add new expenditures for projects, and reallocate budget money to a water fund project.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$631,346.

CITY OF ATHENS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016, totals \$22,225,119 (net of accumulated depreciation). This investment in capital assets includes buildings, roads and bridges, land, machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 5.7%.

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

- Improvements to buildings
- Purchase of equipment
- Additions to infrastructure

Capital Assets
As of September 30, 2016
(net of accumulated depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------|------------------------------------|---------------------|-------------------------------------|----------------------|----------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Land & Improvements | \$ 2,631,211 | \$ 2,445,876 | \$ 152,200 | \$ 152,200 | \$ 2,783,411 | \$ 2,598,076 |
| Buildings and Improvements | 1,127,028 | 818,072 | 78,759 | 87,771 | 1,205,787 | 905,843 |
| Machinery & Equipment | 2,141,169 | 1,945,588 | 526,545 | 261,265 | 2,667,714 | 2,206,853 |
| Amortizable Assets | - | - | 789 | 26,821 | 789 | 26,821 |
| Improvements | 564,903 | 425,585 | 31,264 | - | 596,167 | 425,585 |
| Infrastructure | 1,875,346 | 1,771,524 | 13,095,905 | 13,089,448 | 14,971,251 | 14,860,972 |
| Total | \$ 8,339,657 | \$ 7,406,645 | \$ 13,885,462 | \$ 13,617,505 | \$ 22,225,119 | \$ 21,024,150 |

More detailed information about the City's capital assets is presented in Note F to the financial statements

Long-term Debt - As of September 30, 2016, the City had long-term debt outstanding of \$4,628,647. This debt is secured by property taxes and/or revenues and decreased by (\$1,006,266), or (18%).

Outstanding Debt
As of September 30, 2016

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------|------------------------------------|---------------------|-------------------------------------|---------------------|---------------------|---------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Certificates of Obligation | \$ 413,000 | \$ 800,000 | \$ 3,412,000 | \$ 3,810,000 | \$ 3,825,000 | \$ 4,610,000 |
| Capital Leases | 803,647 | 1,024,913 | - | - | 803,647 | 1,024,913 |
| Total | \$ 1,216,647 | \$ 1,824,913 | \$ 3,412,000 | \$ 3,810,000 | \$ 4,628,647 | \$ 5,634,913 |

More detailed information about the City's long-term liabilities is presented in Note G to the financial statements.

BASIC FINANCIAL STATEMENTS



**CITY OF ATHENS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

| | Primary Government | | | Component |
|--|----------------------------|-----------------------------|----------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total | Unit EDC |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 4,515,462 | \$ 2,168,927 | \$ 6,684,389 | \$ 2,201,050 |
| Receivables (net of allowance for uncollectible) | 1,412,501 | 772,933 | 2,185,434 | 8,817 |
| Internal Balances | 789 | (789) | - | - |
| Inventories | 11,459 | 162,919 | 174,378 | - |
| Prepaid Items | 110,306 | 32,004 | 142,310 | - |
| Restricted assets: | | | | - |
| Cash and cash equivalents | 948,049 | 805,201 | 1,753,250 | - |
| Loan Receivables | - | - | - | 553,874 |
| Capital assets, not being depreciated: | | | | |
| Land & improvements | 2,631,211 | 152,200 | 2,783,411 | 2,158,995 |
| Construction in progress | - | - | - | - |
| Capital assets, net of accumulated depreciation: | | | | |
| Buildings and improvements | 1,127,027 | 78,759 | 1,205,786 | 1,447,893 |
| Infrastructure | 2,440,251 | 13,127,169 | 15,567,420 | 1,298,083 |
| Machinery & equipment | 2,141,168 | 526,546 | 2,667,714 | 234,269 |
| Amortizable Assets | - | 788 | 788 | - |
| Total Assets | 15,338,223 | 17,826,657 | 33,164,880 | 7,902,981 |
| DEFERRED OUTFLOW OF RESOURCES | | | | |
| Deferred outflow - pension | 1,728,786 | 392,650 | 2,121,436 | 55,117 |
| LIABILITIES | | | | |
| Accounts payable | 968,900 | 606,412 | 1,575,312 | 2,269 |
| Customer deposits | - | 187,575 | 187,575 | - |
| Noncurrent Liabilities: | | | | |
| Due within one year: | | | | |
| Compensated absences | 5,256 | 4,459 | 9,715 | - |
| Notes Payable or Capital Leases | 228,674 | - | 228,674 | - |
| Certificates of obligations | 413,000 | 487,000 | 900,000 | - |
| Due in more than one year: | | | | |
| Compensated absences | 973,960 | 39,895 | 1,013,855 | - |
| Notes Payable or Capital Leases | 579,324 | - | 579,324 | 2,071,665 |
| Other Post Employment Benefits | 9,020 | - | 9,020 | - |
| Net pension liability | 8,990,025 | 2,041,859 | 11,031,884 | 286,620 |
| Certificates of obligations | - | 2,925,000 | 2,925,000 | - |
| Total Liabilities | 12,168,159 | 6,292,200 | 18,460,359 | 2,360,554 |
| DEFERRED INFLOW OF RESOURCES | | | | |
| Deferred inflow - pension | 78,750 | 17,886 | 96,636 | 2,511 |
| NET POSITION | | | | |
| Net investment in capital assets | 7,926,657 | 11,277,875 | 19,204,532 | 2,513,701 |
| Restricted for: | | | | |
| Debt | 2,611 | - | 2,611 | - |
| Capital Acquisition | 102,577 | - | 102,577 | - |
| Other special purposes | 3,364 | - | 3,364 | - |
| Unrestricted | (3,215,109) | 631,346 | (2,583,763) | 3,081,332 |
| Total Net Position | \$ 4,820,100 | \$ 11,909,221 | \$ 16,729,321 | \$ 5,595,033 |

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

**CITY OF ATHENS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | <u>Expenses</u> | <u>Program Revenues</u> | | |
|---------------------------------------|-------------------|-----------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Function/Program Activities | | | | |
| Primary Government | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 1,735,176 | \$ 769,875 | \$ - | \$ 18,206 |
| Public Safety | 5,972,053 | 262,746 | - | - |
| Public Services and Operations | 363,906 | 100,186 | - | - |
| Public Works | 1,340,290 | 3,335 | - | - |
| Parks and Recreation | 535,179 | - | - | - |
| Airport | 40,909 | 77,566 | - | - |
| Health | 182,220 | - | - | - |
| Interest on Long-Term Debt | 54,882 | - | - | - |
| Total governmental activities | <u>10,224,615</u> | <u>1,213,708</u> | <u>-</u> | <u>18,206</u> |
| Business-type Activities: | | | | |
| Utility | 4,131,966 | 5,808,556 | - | - |
| Total business-type activities | <u>4,131,966</u> | <u>5,808,556</u> | <u>-</u> | <u>-</u> |
| Total primary government | <u>14,356,581</u> | <u>7,022,264</u> | <u>-</u> | <u>18,206</u> |
| Component unit: | | | | |
| Economic Development Corporation | 706,735 | 1,516,635 | - | - |
| Total component unit | <u>\$ 706,735</u> | <u>\$ 1,516,635</u> | <u>\$ -</u> | <u>\$ -</u> |

General revenues:
Property taxes
Sales taxes
Franchise Taxes
Hotel Taxes
Investment income
Miscellaneous
Transfers
Total general revenues & transfers
Change in net position
Net position - beginning
Prior Period Adjustment
Net position - ending

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

**Net (Expense) Revenue and Changes in
Net Position**

| Primary Government | | | Component Unit |
|------------------------------------|--------------------------------|----------------------|---------------------------|
| Governmental Activities | Business Activities | Total | |
| \$ (947,095) | \$ - | \$ (947,095) | \$ - |
| (5,709,307) | - | (5,709,307) | - |
| (263,720) | - | (263,720) | - |
| (1,336,955) | - | (1,336,955) | - |
| (535,179) | - | (535,179) | - |
| 36,657 | - | 36,657 | - |
| (182,220) | - | (182,220) | - |
| (54,882) | - | (54,882) | - |
| <u>(8,992,701)</u> | <u>-</u> | <u>(8,992,701)</u> | <u>-</u> |
| - | 1,676,590 | 1,676,590 | - |
| - | 1,676,590 | 1,676,590 | - |
| <u>(8,992,701)</u> | <u>1,676,590</u> | <u>(7,316,111)</u> | <u>-</u> |
| - | - | - | 809,900 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 809,900</u> |
| \$ 3,813,351 | \$ - | \$ 3,813,351 | \$ - |
| 4,008,787 | - | 4,008,787 | - |
| 900,757 | - | 900,757 | - |
| 304,113 | - | 304,113 | - |
| 21,694 | 30,852 | 52,546 | - |
| 104,776 | - | 104,776 | - |
| 704,167 | (704,167) | - | - |
| <u>9,857,645</u> | <u>(673,315)</u> | <u>9,184,330</u> | <u>-</u> |
| \$ 864,944 | \$ 1,003,275 | \$ 1,868,219 | \$ 809,900 |
| 3,955,156 | 10,905,946 | 14,861,102 | 4,785,133 |
| - | - | - | - |
| <u>\$ 4,820,100</u> | <u>\$ 11,909,221</u> | <u>\$ 16,729,321</u> | <u>\$ 5,595,033</u> |

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

**CITY OF ATHENS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects</u> | <u>Other Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|------------------------------|-----------------------------|------------------------|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 4,515,463 | \$ - | \$ - | \$ - | \$ 4,515,463 |
| Taxes Receivable (net of allow for uncoll) | 83,278 | 15,862 | - | 241 | 99,381 |
| Receivables (net of allowances for uncoll) | 1,313,120 | | | - | 1,313,120 |
| Cash - Restricted | - | 3,154 | 102,577 | 842,318 | 948,049 |
| Inventories | 11,459 | | | | 11,459 |
| Due From Other Funds | | | | 161,105 | 161,105 |
| Prepaid Items | 110,306 | | | | 110,306 |
| Total Assets | <u>6,033,626</u> | <u>19,016</u> | <u>102,577</u> | <u>1,003,664</u> | <u>7,158,883</u> |
| LIABILITIES | | | | | |
| Accounts payable | 858,028 | - | - | 5,301 | 863,329 |
| Accrued interest payable | - | - | - | - | - |
| Accrued expenses | - | - | - | - | - |
| Due to Other Funds | 238,360 | 16,405 | | 11,121 | 265,886 |
| Total Liabilities | <u>1,096,388</u> | <u>16,405</u> | <u>-</u> | <u>16,422</u> | <u>1,129,215</u> |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Inventories and Prepaid Items | 11,459 | - | - | - | 11,459 |
| Receivables | 1,313,120 | | | | 1,313,120 |
| Restricted for: | | | | | |
| Capital Acquisition | - | | 102,577 | - | 102,577 |
| Retirement of Long-term Debt | - | 2,611 | - | - | 2,611 |
| Other Restricted Funds | 3,364 | - | - | - | 3,364 |
| Committed Fund Balance: | | | | | |
| Emergency Reserve | 1,833,735 | - | - | - | 1,833,735 |
| Capital Acquisition | - | - | - | - | - |
| Assigned Fund Balance: | | | | | |
| Other Assigned Fund Balance | - | - | - | 987,242 | 987,242 |
| Unassigned: | | | | | |
| General Fund | 1,775,560 | - | - | - | 1,775,560 |
| Total Fund Balances | <u>4,937,238</u> | <u>2,611</u> | <u>102,577</u> | <u>987,242</u> | <u>6,029,668</u> |
| Total Liabilities, Deferred Inflow of Resources, and Fund Balances | <u>\$ 6,033,626</u> | <u>\$ 19,016</u> | <u>\$ 102,577</u> | <u>\$ 1,003,664</u> | <u>\$ 7,158,883</u> |

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

**CITY OF ATHENS, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

| | |
|--|---------------------|
| Total fund balances - governmental funds balance sheet | \$ 6,029,668 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 25,791,001 |
| Accumulated depreciation has not been included in the governmental fund financial statements. | (17,451,346) |
| Deferred inflow/outflow of resources for pension are not reported in the fund financial statements. | 1,650,036 |
| Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements. | (8,990,025) |
| Long-term liabilities are not due and payable in the current period and therefore, they are not reported in the Governmental Funds Statement of Net Position | (2,209,234) |
| Net position of governmental activities - statement of net position | <u>\$ 4,820,100</u> |

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

CITY OF ATHENS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | General Fund | Debt Service Fund | Capital Projects | Other Funds | Total Governmental Funds |
|--|---------------------|----------------------|---------------------|-------------------|--------------------------------|
| REVENUE | | | | | |
| Property Taxes | \$ 3,813,351 | \$ 585,799 | \$ - | \$ - | \$ 4,399,150 |
| Sales Tax Collected | 4,008,787 | - | - | - | 4,008,787 |
| Franchise Taxes | 900,757 | - | - | - | 900,757 |
| Licenses and Permits | 131,278 | - | - | - | 131,278 |
| Fines and Forfeitures | 231,654 | - | - | - | 231,654 |
| Hotel Tax | - | - | - | 304,113 | 304,113 |
| Charge for Services | 297,644 | - | - | 77,566 | 375,210 |
| Grant Revenue | - | - | - | - | - |
| Intergovernmental Revenues-state and federal | 18,206 | - | - | - | 18,206 |
| Donations | - | - | - | - | - |
| Investment Income | 17,533 | 867 | 373 | 2,921 | 21,694 |
| Miscellaneous | 17,327 | - | - | 80,776 | 98,103 |
| Total Revenues | <u>9,436,537</u> | <u>586,666</u> | <u>373</u> | <u>465,376</u> | <u>10,488,952</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | 1,539,890 | - | 9,028 | 110,158 | 1,659,076 |
| Public Safety | - | - | - | - | - |
| Police | 3,023,636 | - | - | - | 3,023,636 |
| Fire | 2,575,055 | - | - | - | 2,575,055 |
| Other | - | - | - | - | - |
| Public Services and Operations | 375,848 | - | - | 46,909 | 422,757 |
| Public Works | 976,375 | - | - | - | 976,375 |
| Health | 323,658 | - | - | - | 323,658 |
| Parks and Recreation | 471,163 | - | - | - | 471,163 |
| Debt Service: | - | - | - | - | - |
| Principal Retirement | - | 1,432,266 | - | - | 1,432,266 |
| Interest Expense | - | 43,852 | - | - | 43,852 |
| Fiscal Agent Fees | - | 11,030 | - | - | 11,030 |
| Capital Outlay: | - | - | - | - | - |
| General Government | 184,862 | - | - | - | 184,862 |
| Public Safety | 226,725 | - | - | - | 226,725 |
| Public Services and Operations | - | - | - | 37,400 | 37,400 |
| Public Works | 623,956 | - | - | - | 623,956 |
| Parks and Recreation | 515,517 | - | - | - | 515,517 |
| Total Expenditures | <u>10,836,685</u> | <u>1,487,148</u> | <u>9,028</u> | <u>194,467</u> | <u>12,527,328</u> |
| Excess (deficiency) of revenues over (under) expenditures | (1,400,148) | (900,482) | (8,655) | 270,909 | (2,038,376) |
| Other Revenues and Financing Sources (uses) | | | | | |
| Sale of assets | - | - | - | - | - |
| Note Proceeds | - | 824,000 | - | - | 824,000 |
| Transfers | 958,194 | - | (9,028) | (245,000) | 704,166 |
| Total Other Financing Sources (uses) | <u>958,194</u> | <u>824,000</u> | <u>(9,028)</u> | <u>(245,000)</u> | <u>1,528,166</u> |
| Net Change in Fund Balances | (441,954) | (76,482) | (17,683) | 25,909 | (510,210) |
| Fund Balances, October 1 | 5,379,192 | 79,093 | 120,260 | 961,333 | 6,539,878 |
| Fund Balances, September 30 | <u>\$ 4,937,238</u> | <u>\$ 2,611</u> | <u>\$ 102,577</u> | <u>\$ 987,242</u> | <u>\$ 6,029,668</u> |

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

**CITY OF ATHENS, TEXAS
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, 2016**

| | |
|---|-------------------|
| Net change in fund balances - total governmental funds | \$ (510,210) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | 1,588,459 |
| Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds. | (655,450) |
| The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are unearned and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 644,250 |
| Current year changes in long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. | 7,142 |
| Current year changes in pension expense do not require the use of current resources; therefore, are not reported as expenditures in governmental funds. | (209,247) |
| Change in net position of governmental activities - statement of activities | <u>\$ 864,944</u> |

CITY OF ATHENS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Budgeted Amounts | | Actual | Variance with |
|--|---------------------|---------------------|---------------------|--|
| | Original | Final | | Final Budget - Positive (Negative) |
| REVENUE | | | | |
| Property taxes | \$ 4,016,812 | \$ 4,016,812 | \$ 3,813,351 | \$ (203,461) |
| Fines and forfeitures | 203,277 | 203,277 | 231,654 | 28,377 |
| Licenses and permits | 58,495 | 58,495 | 131,278 | 72,783 |
| Sales taxes collected | 3,844,643 | 3,844,643 | 4,008,787 | 164,144 |
| Franchise tax | 925,419 | 925,419 | 900,757 | (24,662) |
| Charge for services | 299,350 | 299,350 | 297,644 | (1,706) |
| Grant revenues | - | - | - | - |
| Intergovernmental revenues-state and local | - | - | 18,206 | 18,206 |
| Investment income | 14,500 | 14,500 | 17,533 | 3,033 |
| Miscellaneous | - | - | 17,327 | 17,327 |
| Total Revenues | <u>9,362,496</u> | <u>9,362,496</u> | <u>9,436,537</u> | <u>74,041</u> |
| EXPENDITURES | | | | |
| General government | 1,598,399 | 1,719,182 | 1,539,890 | 179,292 |
| Public safety | 5,810,944 | 5,851,194 | 5,598,691 | 252,503 |
| Public services and operations | 475,136 | 490,236 | 375,848 | 114,388 |
| Public works | 1,072,414 | 1,137,414 | 976,375 | 161,039 |
| Parks and recreation | 542,349 | 576,349 | 471,163 | 105,186 |
| Sanitation | 346,889 | 344,489 | 323,658 | 20,831 |
| Capital outlay: | | | | |
| General government | 25,000 | 25,000 | 184,862 | (159,862) |
| Public safety | 236,200 | 236,200 | 226,725 | 9,475 |
| Public services and operations | - | - | - | - |
| Public works | 506,500 | 506,500 | 623,956 | (117,456) |
| Parks and recreation | 551,393 | 551,393 | 515,517 | 35,876 |
| Total Expenditures | <u>11,165,224</u> | <u>11,437,957</u> | <u>10,836,685</u> | <u>601,272</u> |
| Excess (deficiency) of revenues over (under) expenditures | (1,802,728) | (2,075,461) | (1,400,148) | 675,313 |
| Other Revenues and Financing Sources (uses) | | | | |
| Transfers | 875,000 | 875,000 | 958,194 | 83,194 |
| Sale of assets | - | - | - | - |
| Total Other Financing Sources (uses) | <u>875,000</u> | <u>875,000</u> | <u>958,194</u> | <u>83,194</u> |
| Excess of revenues and other financing sources over (under) expenditures and other financing uses | (927,728) | (1,200,461) | (441,954) | 758,507 |
| Fund Balances/Equity, October 1 | <u>5,379,192</u> | <u>5,379,192</u> | <u>5,379,192</u> | |
| Fund Balances/Equity, September 30 | <u>\$ 4,451,464</u> | <u>\$ 4,178,731</u> | <u>\$ 4,937,238</u> | |

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

**CITY OF ATHENS, TEXAS
STATEMENT OF FUNDS NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016**

ASSETS

Current Assets:

| | |
|--|--------------|
| Cash and cash equivalents | \$ 2,974,128 |
| Receivables (net of allowance for uncollectible) | 772,933 |
| Inventories | 162,919 |
| Prepaid Items | 32,004 |

Restricted assets:

| | |
|---------------------------|---|
| Cash and cash equivalents | - |
|---------------------------|---|

| | |
|-----------------------------|------------------|
| Total Current Assets | <u>3,941,984</u> |
|-----------------------------|------------------|

Noncurrent Assets:

Capital assets, not being depreciated:

| | |
|--------------------------|---------|
| Land & improvements | 152,200 |
| Construction in progress | - |

Capital assets, net of accumulated depreciation:

| | |
|----------------------------|------------|
| Buildings and improvements | 78,759 |
| Infrastructure | 13,127,169 |
| Machinery & equipment | 526,546 |
| Amortizable Assets | 788 |

| | |
|--------------------------------|-------------------|
| Total Noncurrent Assets | <u>13,885,462</u> |
|--------------------------------|-------------------|

| | |
|---------------------|--------------------------|
| Total Assets | <u><u>17,827,446</u></u> |
|---------------------|--------------------------|

DEFERRED OUTFLOW OF RESOURCES

| | |
|----------------------------|----------------|
| Deferred outflow - pension | <u>392,650</u> |
|----------------------------|----------------|

LIABILITIES

Current Liabilities

| | |
|-------------------|---------|
| Accounts payable | 606,414 |
| Customer deposits | 187,575 |
| Due to City | 788 |

Due within one year:

| | |
|-----------------------------|---------|
| Compensated absences | 4,459 |
| Certificates of obligations | 487,000 |

| | |
|----------------------------------|------------------|
| Total Current Liabilities | <u>1,286,236</u> |
|----------------------------------|------------------|

Noncurrent Liabilities:

Due in more than one year:

| | |
|-----------------------------|-----------|
| Compensated absences | 39,895 |
| Net pension liability | 2,041,859 |
| Certificates of obligations | 2,925,000 |

| | |
|-------------------------------------|------------------|
| Total Noncurrent Liabilities | <u>5,006,754</u> |
|-------------------------------------|------------------|

| | |
|--------------------------|-------------------------|
| Total Liabilities | <u><u>6,292,990</u></u> |
|--------------------------|-------------------------|

DEFERRED INFLOW OF RESOURCES

| | |
|---------------------------|---------------|
| Deferred inflow - pension | <u>17,886</u> |
|---------------------------|---------------|

NET POSITION

| | |
|----------------------------------|------------|
| Net investment in capital assets | 11,277,875 |
|----------------------------------|------------|

Restricted for:

| | |
|--------------|---|
| Construction | - |
|--------------|---|

| | |
|--------------|---------|
| Unrestricted | 631,345 |
|--------------|---------|

| | |
|---------------------------|-----------------------------|
| Total Net Position | <u><u>\$ 11,909,220</u></u> |
|---------------------------|-----------------------------|

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

Total Liabilities and Net Position
Total Net Position

| | |
|--|----------------------|
| | <u>\$ 17,827,446</u> |
| | <u>11,909,220</u> |

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

**CITY OF ATHENS, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | |
|--|----------------------|
| OPERATING REVENUES: | |
| Charges for services-Water | \$ 3,118,890 |
| Charges for services-Waste Water | 2,425,105 |
| Assessment fees | 257,737 |
| Tap fees | - |
| Miscellaneous income | 6,824 |
| Total Operating Revenues | <u>5,808,556</u> |
| OPERATING EXPENSES: | |
| Personnel costs | 1,676,557 |
| Supplies and materials | 567,252 |
| Maintenance and repair | 1,108,751 |
| Utility services | 12,227 |
| Water purchases | 42,447 |
| Depreciation | 724,732 |
| Total Operating Expenses | <u>4,131,966</u> |
| Operating Income (Loss) | <u>1,676,590</u> |
| NON-OPERATING REVENUES (EXPENSES): | |
| Interest expense | - |
| Insurance reimbursement | - |
| Investment income | 30,852 |
| Total Non-Operating Revenues (Expenses) | <u>30,852</u> |
| Income before capital contributions and transfers | 1,707,442 |
| Transfers | <u>(704,167)</u> |
| Change in Net Position | 1,003,275 |
| Net position - Beginning, October 1 | 12,590,339 |
| Prior Period Adjustments | <u>(1,684,393)</u> |
| Net Position - Ending, September 30 | <u>\$ 11,909,221</u> |

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

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

| | Utility Fund |
|---|-------------------------|
| Cash Flows from Operating Activities | |
| Cash received from customers | \$ 5,628,760 |
| Cash received from other sources | - |
| Cash paid to employees | (42,447) |
| Cash paid to suppliers | (2,792,657) |
| Net cash provided by (used for) operating activities | <u>2,793,656</u> |
| Cash Flows from Non-capital Financing Activities | |
| Transfers to/from other funds | (986,376) |
| Change in net pension liability | 86,802 |
| Net Cash Provided by Non-capital Financing Activities | <u>(899,574)</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Acquisition and construction of capital assets | (992,690) |
| Principal payments on debt obligations | (451,502) |
| Interest and fiscal charges on debt | (31,693) |
| Net cash provided by (used for) capital and related financing activities | <u>(1,475,885)</u> |
| Cash Flows from Investing Activities | |
| Interest Income | 30,852 |
| Net cash provided by (used for) investing activities | <u>30,852</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 449,049 |
| Cash and Cash Equivalents at Beginning of Year | 2,525,079 |
| Cash and Cash Equivalents at End of Year | <u>\$ 2,974,128</u> |
| Reconciliation of operating income to net cash provided by (used for) operation activities | |
| Operating income (loss) | \$ 1,676,589 |
| Adjustment to reconcile operating income to net provided by operating activities: | |
| Depreciation | 724,732 |
| Insurance reimbursements | - |
| Change in Assets and Liabilities | |
| Decrease (increase) in receivables | (185,526) |
| Increase (decrease) in accounts payable | 572,131 |
| Increase (decrease) in customer deposits | 5,730 |
| Increase (decrease) in accrued expenses | - |
| Increase (decrease) in other liabilities | - |
| Total Adjustments | <u>1,117,067</u> |
| Net cash provided by (used for) operating activities | <u>\$ 2,793,656</u> |

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

**CITY OF ATHENS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Athens ("City") operates under a Council-Manager form of government with a City Council comprised of the Mayor & four Council members. Some of the services provided are: public safety (police and fire protection), water distribution, and general administration.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide* and by the Financial Accounting Standards Board when applicable. The more significant accounting policies of the City are described below:

1. Reporting Entity

The City is a municipal corporation governed by an elected mayor and four-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No.39 "Determining Whether Certain Organizations are Component Units".

Under GASB Statement No. 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component unit may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB Statement No. 39 added clarification to GASB Statement No. 14 by including entities which meet all three of the following requirements:

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to other access, are significant to the primary government.

The financial statements of the following component unit has been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City.

Discretely presented component units. The City has one component unit, City of Athens Economic Development Corporation ("EDC"). The EDC was incorporated in 1990. The EDC is governed by a seven-member board appointed by and serving at the pleasure of the City Council. Thus, the EDC is legally separate, but due to the City appointing the voting majority of the EDC board, it is classified as a discretely presented component unit. The funding for EDC occurs by the City transferring 1/4 of sales tax collected by the City to the EDC. Adding the creation of the EDC to the resources currently available will more than double the current ability to assist economic development prospects. All of the EDC funding can be used for direct assistance to prospects and continued development of infrastructure. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statement to be misleading or incomplete.

**CITY OF ATHENS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity (continued)

Excluded from the reporting entity:

Athens Municipal Water Authority

The Athens Municipal Water Authority (the Water Authority) was established by a special state act in 1958. The Water Authority's governing board (a separately elected board) selects management staff, sets user charges, establishes budgets and controls all aspects of general management and production of water from the Water Authority except for water purchases and what it contracts with the City of Athens. Additionally, the City does not hold title to any of the Water Authority's assets, nor does it have any right to the Water Authority's surpluses.

Athens Housing Authority

This is the Section 8 Housing Assistance Payments Program. This entity receives federal grant funds and administers a housing/rent subsidy program inside the city limits of Athens. This entity is subject of the City's control and oversight through the City Council and City Manager's office, but is audited as a separate program based upon an understanding with the federal funding agency (HUD). This entity operates on a calendar year basis and has been audited in prior years by other auditors without being combined with the City of Athens.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria may be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

2. Basis of Presentation, Basis of Accounting

The basic financial statements are prepared in conformity with GAAP which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities on the statement of net position and statement of activities. Significantly, the City's statement of net position include both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resource measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Management's Discussion and Analysis provides an analytical overview of the City's financial activities. In addition, a budgetary comparison schedule is presented that compares the original adopted budget and final amended General Fund budget with actual results.

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. As required by GAAP, these financial statements present the City and its component unit, entities for which the City is considered to be financially accountable. The discretely presented component unit has been reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

**CITY OF ATHENS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Basis of Presentation, Basis of Accounting (Continued)

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, Parks, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues.

The net cost (by function) is normally covered by general revenue (property and sales taxes, franchise taxes, and interest income).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund's financial statements. The major governmental funds are the general fund, debt service fund, special revenue fund, and permanent fund . The major proprietary fund is the Utility fund. GASB Statement No. 34 set forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

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

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

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

3. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

**CITY OF ATHENS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Measurement Focus, Basis of Accounting (continued)

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available when they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due and payable shortly after year end as required by GASB Interpretation No. 6.

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the major governmental funds of the City:

The **General Fund** is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed changes and capital improvements costs that are not paid through other funds are paid from the General Fund.

The **Debt Service Fund** is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid from taxes levied by the City.

The **Capital Projects Fund** is used to account for funds received and expended for construction, renovation, expansion and major improvement of various City facilities, acquisition of land and other large nonrecurring projects.

Proprietary funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

Proprietary funds are financed and operated in a manner similar to a private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or purposes. The following is a description of the proprietary funds of the City:

The **Utility Fund** account for the operations of the water and sanitary sewer utilities which are self-supporting activities rendering services on a user-charge basis.

**CITY OF ATHENS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts

a. Cash and Cash Equivalents

The City's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

b. 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.

Trade and property tax receivables are shown net of an allowance for uncollectible.

All legally authorized transfers are appropriately treated as transfers and are included in the results of operations of both governmental and proprietary funds. Non-recurring and non-routine transfers of equity between funds - for example, contribution of capital assets to a proprietary fund or transfers of residual balances of discontinued funds to other funds - are accounted for as transfers.

c. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the governmental funds represent cash and cash equivalents and investments set aside for specific capital additions, and various bond covenants. Restricted assets in the proprietary funds represent cash and cash equivalents and investments set aside for repayment of deposits to utility customers, specific capital additions.

Customer deposits received for the water and wastewater service are, by law, to be considered restricted assets. These activities are included in the Utility Fund.

d. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed. There was no capitalized interest during the current fiscal year.

Management elected not to retroactively report infrastructure assets within the scope of GASB Statement No. 34.

**CITY OF ATHENS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 4. Financial Statement Amounts
 - d. Capital Assets (continued)

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> |
|-----------------------|-----------------------------------|
| Buildings | 25 |
| Machinery & Equipment | 3 - 20 |
| System Infrastructure | 20 - 40 |
| Vehicles | 5 - 10 |
| Office Equipment | 5 |
| Computer Equipment | 5 |

- e. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, and sick pay benefits. No liability is reported for non-civil service employees' unpaid accumulated sick leave except when payment is authorized by the City Council. Vacation pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are shown as non-current liabilities on the government-wide statement of net position and current expense for that portion of the debt incurred for the current year.

- f. Pensions

In government-wide financial statements, retirement plans (pension) are required to be recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the City recognizes a net pension liability, which represents the City's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Texas Municipal Retirement System ("TMRS"). The net pension liability is measured as of December 31, 2014. Changes in the net pension liability are recorded as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) will be amortized over the weighted average remaining service life of all participants and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred inflows/outflows of resources relating to pension expense, information about the fiduciary net position of the City's pension plan with TMRS and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed five-year period of recognition.

**CITY OF ATHENS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts

g. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method and netted with the long term obligations in the liabilities. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the year they are incurred in accordance with GASB Statement No. 65.

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

h. Deferred Outflows/Inflows of Resources

In addition to assets, the fund 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The City has one item that is reportable in the government-wide Statement of Net Position: outflows from changes in net pension liability. This outflow if resources is, also, reported in the proprietary fund financial statements.

In addition to liabilities, the fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of a net position that applies to that time. The City has only one type of deferred inflow of resources in the governmental fund financial statement. Deferred revenue from property taxes is deferred and recognized as an inflow of resources in the period that the amounts become available. There is one type of deferred inflow of resources in the government-wide Statement of Net Position; inflows of changes in net pension liability. This inflow of resources is, also, reported in the proprietary fund financial statements.

i. Fund Balance Policies

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent:

- *Nonspendable fund balance* - includes the portion of net resources that cannot be spent because of their form (i.e. inventory, receivables, long-term loans, or prepaids) or because they must remain intact such as the principal of an endowment.
- *Restricted fund balance* - includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e. externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation. Examples include grant awards and bond proceeds.
- *Committed fund balance* - includes the portion of net resources for which the City Council has imposed limitations of use. Amounts that can be used only for the specific purposes determined by a resolution of the City Council. Commitments may be changed or lifted only by a resolution of the City Council. The resolution must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.

**CITY OF ATHENS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

- *Assigned fund balance* - includes the portion of net resources for which an *intended* use has been established by the City Council or the City Manager authorized to do so by the City Council. Assignments of fund balances are much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum, intended to be used for the purpose of that fund.
- *Unassigned fund balance* - includes the amounts in the general fund in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

j. Net Position Flow Assumption

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

k. Fund Balance Flow Assumption

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

l. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statements in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

m. 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 consideration. Services provided, deemed to be a market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges in 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. The government did not have any Internal Balances at fiscal year end.

n. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

o. Program Revenues

**CITY OF ATHENS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

Certain revenues such as charges for services are included in program revenues.

p. Program Expenditures

Certain indirect costs such as administrative costs are included in the program expenditures reported for individual functional activities.

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 | n/a |

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> |
|------------------|-----------------------|
| None reported | n/a |

3. Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of the General Fund on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the budget to actual revenues and expenditures as a management control during the year.

The following procedures are followed in establishing the budgetary data:

- No later than the first City Council meeting each August, the City Manager submits to the City Council a proposed budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 30, the budget is legally enacted through passage of an ordinance. If the Council takes no action on or prior to such day, the budget, as submitted by the City Manager, shall be deemed to have been adopted by the City Council.
- According to procedures established internally by City of Athens, total estimated expenditures of the General Fund is to be budgeted.
- The level of control (the level at which expenditures may not exceed budget) is the fund level. The City Manager is authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

**CITY OF ATHENS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

C. CASH 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 the 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 banks dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance.

Cash Deposits

At September 30, 2016, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,437,639, and the bank balance was \$8,367,229. The City's cash deposits at September 30, 2016 and during the year ended September 30, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The amount of deposits covered by collateralized securities was \$8,367,230. Cash and investments as of September 30, 2016 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:

| | |
|---|---------------------|
| Primary Government | |
| Cash and cash equivalents | \$ 6,684,389 |
| Restricted assets-cash & cash equivalents | 1,753,250 |
| Total cash and cash equivalents | <u>\$ 8,437,639</u> |
| Governmental - Restricted cash | |
| Debt Service | \$ 3,154 |
| Capital Projects | 102,577 |
| Airport | 202,088 |
| Hotel | 509,994 |
| Special Donations | 90,052 |
| Energy Grant | 209 |
| Municipal Court - technology, building security | 3,364 |
| Forfeited Cash | 36,611 |
| | <u>\$ 948,049</u> |
| Business-type - Restricted cash | |
| Capital Projects | 805,201 |
| | <u>805,201</u> |
| Total Restricted Cash | <u>\$ 1,753,250</u> |

Investments:

The Public Funds Investment Act ("Act") (Government Code Chapter 2256) requires the City to have an independent auditor perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Investment Accounting Policy

The investment program's foremost objective is the safety of principal by seeking to ensure the preservation of capital in the portfolio and to mitigate credit risk and interest rate risk.

The City has options for investments of City funds: certificates of deposits that are issued by a bank organized under Texas law, the laws of another state, or federal law, that has its main office or a branch office in Texas, or by a savings and loan association or a savings bank organized under Texas law, the laws of another state, or federal law, that has a main office in Texas and that is guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or secured by obligations in a manner and amount provided by law for deposits of the City.

Local government investment pools, which meet the requirement of Chapter 2256.016 of the Public Funds Investment Act, are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, and seek to maintain a \$1.00 net asset value and are authorized by resolution of the City Council.

**CITY OF ATHENS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

C. CASH AND INVESTMENTS (continued)

Investment in State Investment Pools

The City is a voluntary participant in TexPool Investment Pool ("Lone Star"). TexPool limits investments only to those allowed by the Public Funds Investment Act. This type of investment pool uses amortized costs rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool. The Texas Local Government Investment Pool is organized in conformity with the Interposol Cooperation Act, Chapter 791 of the Texas Government code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Pool is governed by an Advisory Board composed equally of participants in the Pool and other persons who do not have a business relationship with the Pool who are qualified to advise the Pool.

Disclosure relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. Currently, the City does not have any investments inherent to interest rate risk.

As of September 30, 2016, the City had the following investments:

| <u>Investment Type</u> | <u>Amount</u> | <u>Weighted Average Maturity</u> |
|------------------------|------------------|--|
| Texpool | <u>\$ 23,755</u> | <u>33</u> |

Custodial Credit Risk

To control custody and safekeeping risk, State law and the City's adopted investment policy require collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the City and held in the City's name. The custodian is required to provide original safekeeping of receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 100% and be executed under written agreements. Depository agreements are executed under agreements.

The City strives to minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment by limiting investment to the safest types of investments, pre-qualifying the financial institutions in which the City will do business, and diversifying the investment portfolio so that potential losses on individual issuers will be minimized.

D. PROPERTY TAXES

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within sixty days following the close of the fiscal year have been recognized as revenue at the fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios.

**CITY OF ATHENS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

D. PROPERTY TAXES (continued)

The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. The City adopted an ad valorem tax rate of \$0.645140 during fiscal year 2016.

E. RECEIVABLES

Receivables as of year-end for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>General</u> | <u>Proprietary</u> | <u>Debt Service</u> | <u>Total</u> |
|--------------------------------------|---------------------|--------------------|---------------------|---------------------|
| Receivables | | | | |
| Taxes | \$ 161,441 | \$ - | \$ 30,751 | \$ 192,192 |
| Warrants | 1,697,313 | - | - | 1,697,313 |
| Fees and Charges | <u>159,186</u> | <u>815,086</u> | <u>-</u> | <u>974,272</u> |
| Gross Receivables | 2,017,940 | 815,086 | 30,751 | 2,863,777 |
| Less: Allowance for Uncollectible | <u>(621,302)</u> | <u>(42,153)</u> | <u>(14,888)</u> | <u>(678,343)</u> |
| Total Net Receivables | <u>\$ 1,396,638</u> | <u>\$ 772,933</u> | <u>\$ 15,863</u> | <u>\$ 2,185,434</u> |

**CITY OF ATHENS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

F. CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2016 was as follows:

| | Beginning Balances | Additions | Decreases | Ending Balances |
|--|-----------------------|-------------------|--------------------|----------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 2,445,876 | \$ 185,335 | \$ - | \$ 2,631,211 |
| Construction in progress | - | - | - | - |
| Total capital assets, not being depreciated | <u>2,445,876</u> | <u>185,335</u> | <u>-</u> | <u>2,631,211</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 8,210,918 | 349,628 | - | 8,560,546 |
| Machinery & Equipment | 6,472,413 | 520,804 | - | 6,993,217 |
| Improvements | 2,067,009 | 155,754 | - | 2,222,763 |
| Infrastructure | 5,006,326 | 376,941 | - | 5,383,267 |
| Total capital assets being depreciated | <u>21,756,666</u> | <u>1,403,127</u> | <u>-</u> | <u>23,159,793</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (7,392,846) | (40,672) | - | (7,433,518) |
| Machinery & Equipment | (4,526,825) | (325,223) | - | (4,852,048) |
| Improvements | (1,641,424) | (16,436) | - | (1,657,860) |
| Infrastructure | (3,234,802) | (273,119) | - | (3,507,921) |
| Total accumulated depreciation | <u>(16,795,897)</u> | <u>(655,450)</u> | <u>-</u> | <u>(17,451,347)</u> |
| Total capital assets, being depreciated, net | <u>4,960,769</u> | <u>747,677</u> | <u>-</u> | <u>5,708,446</u> |
| Governmental activities capital assets, net | <u>\$ 7,406,645</u> | <u>\$ 933,012</u> | <u>\$ -</u> | <u>\$ 8,339,657</u> |
| | Beginning Balances | Additions | Decreases | Ending Balances |
| Business-type Activities: | | | | |
| Utility | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 152,200 | \$ - | \$ - | \$ 152,200 |
| Construction in Progress | - | - | - | - |
| Total capital assets, not being depreciated | <u>152,200</u> | <u>-</u> | <u>-</u> | <u>152,200</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 820,027 | - | - | 820,027 |
| Equipment | 1,328,645 | 336,295 | - | 1,664,940 |
| Amortizable Assets | 243,082 | - | (24,982) | 218,100 |
| Improvements | 1,454 | 31,597 | - | 33,051 |
| Infrastructure | 24,517,005 | 649,780 | - | 25,166,785 |
| Total capital assets being depreciated | <u>26,910,213</u> | <u>1,017,672</u> | <u>(24,982)</u> | <u>27,902,903</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (732,256) | (9,012) | - | (741,268) |
| Equipment | (1,067,380) | (71,015) | - | (1,138,395) |
| Amortizable Assets | (216,261) | (1,050) | - | (217,311) |
| Improvements | (1,454) | (333) | - | (1,787) |
| Infrastructure | (11,427,557) | (643,323) | - | (12,070,880) |
| Total accumulated depreciation | <u>(13,444,908)</u> | <u>(724,733)</u> | <u>-</u> | <u>(14,169,641)</u> |
| Total capital assets, being depreciated, net | <u>13,465,305</u> | <u>292,939</u> | <u>(24,982)</u> | <u>13,733,262</u> |
| Business-type activities capital assets, net | <u>\$ 13,617,505</u> | <u>\$ 292,939</u> | <u>\$ (24,982)</u> | <u>\$ 13,885,462</u> |

**CITY OF ATHENS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

F. CAPITAL ASSETS (continued)

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

| | | |
|---|--|-------------------|
| Governmental activities: | | |
| General Government | | \$ 42,010 |
| Parks and Recreation | | 53,706 |
| Public Safety | | 209,885 |
| Public Services and Operations | | - |
| Public Works, including depreciation of general infrastructure assets | | 349,849 |
| Total depreciation expense - governmental activity | | <u>\$ 655,450</u> |
| Business-type activities: | | |
| Utility | | <u>\$ 724,732</u> |

G. LONG-TERM OBLIGATIONS

Capital Leases Payable

The City has entered into lease agreements as lessee for the acquisition of a fire engine pumper, fire truck, street sweeper and police vehicles. These lease agreements qualify as capital leases for accounting purposes (as titles transfer at the end of the lease terms or bargain purchase options are present) and therefore have recorded at the present value of future minimum lease payments as of the date of their inception.

The following is a summary of changes in long-term debt for capital leases for the year ended September 30, 2016:

| | | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
|--------------------------------|-------|----------------------|-------------|---------------------|-------------------|------------------------|
| Governmental Activities | | | | | | |
| Fire Engine Pumper | 4.42% | \$ 99,338 | \$ - | \$ (34,339) | \$ 64,999 | \$ 33,214 |
| Fire Truck | 2.35% | 652,283 | - | (87,788) | 564,495 | 88,837 |
| Street Sweeper | 1.92% | 97,223 | - | (37,066) | 60,157 | 37,782 |
| Police Vehicles | 1.72% | 176,069 | - | (62,073) | 113,996 | 68,841 |
| TOTAL | | <u>\$ 1,024,913</u> | <u>\$ -</u> | <u>\$ (221,266)</u> | <u>\$ 803,647</u> | <u>\$ 228,674</u> |

Debt service requirements for the capital leases payable are as follows:

| Year Ending September 30: | Principal | Interest | Requirements |
|---------------------------|-------------------|------------------|-------------------|
| 2017 | \$ 228,674 | \$ 16,752 | \$ 245,426 |
| 2018 | 190,251 | 11,313 | 201,564 |
| 2019 | 93,082 | 8,018 | 101,100 |
| 2020 | 95,280 | 5,820 | 101,100 |
| 2021 | 97,530 | 3,571 | 101,101 |
| 2022-2024 | 98,832 | 1,268 | 100,100 |
| Totals | <u>\$ 803,649</u> | <u>\$ 46,742</u> | <u>\$ 850,391</u> |

**CITY OF ATHENS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

G. LONG-TERM OBLIGATIONS (continued)

A summary of long-term bond transactions, including the current portion, for the year ended September 30, 2016 is as follows:

| | | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
|--------------------------------|---------------|----------------------|--------------|----------------|-------------------|------------------------|
| Governmental Activities | | | | | | |
| 1998 GO | 4.25 to 7.25% | \$ 800,000 | \$ - | \$ (800,000) | \$ - | \$ - |
| 2015 GO | 0.60 to 2.20% | - | 824,000 | (411,000) | 413,000 | 3,304 |
| TOTAL | | \$ 800,000 | \$ 824,000 | \$ (1,211,000) | \$ 413,000 | \$ 3,304 |
| Compensated absences | | 986,339 | 17,993 | (25,135) | 979,197 | 7,142 |
| Post Employment Benefits | | 21,022 | | (12,002) | 9,020 | 5,256 |
| Net pension liability | | 7,874,022 | 1,116,003 | - | 8,990,025 | - |
| TOTAL | | \$ 9,681,383 | \$ 1,957,996 | \$ (1,248,137) | \$ 10,391,242 | \$ 15,702 |

Debt service requirements are as follows:

| Year Ending September 30: | Principal | Interest | Total Requirements |
|---------------------------|------------|----------|-----------------------|
| 2017 | \$ 413,000 | \$ 3,304 | \$ 416,304 |

\$5,060,000 Combination Tax and Surplus Revenue Certification of Obligation, Series 1998 was refunded by the issuance of City of Athens General Obligation Refunding Bonds, Series 2015 on November 12, 2015.

| | | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
|---------------------------------|----------------|----------------------|--------------|----------------|-------------------|------------------------|
| Business-type Activities | | | | | | |
| 2000 CO | 4.25 to 7.25% | \$ 805,000 | \$ - | \$ (805,000) | \$ - | \$ - |
| 2004 CO | 4.25 to 7.25% | 3,005,000 | | (3,005,000) | - | - |
| 2015 GO | 0.60% to 2.20% | | 3,921,000 | (509,000) | 3,412,000 | 487,000 |
| Total Bonds Payable | | 3,810,000 | 3,921,000 | (4,319,000) | 3,412,000 | 487,000 |
| Compensated absences | | 48,813 | - | (4,459) | 44,354 | 4,459 |
| Post Employment Benefits | | 4,689 | | (4,689) | - | - |
| Net pension liability | | 1,783,328 | 258,530 | - | 2,041,858 | - |
| TOTAL | | \$ 5,646,830 | \$ 4,179,530 | \$ (4,328,148) | \$ 5,498,212 | \$ 491,459 |

Debt service requirements are as follows:

| Year Ending September 30: | Principal | Interest | Total Requirements |
|---------------------------|--------------|------------|-----------------------|
| 2017 | \$ 487,000 | \$ 49,046 | \$ 536,046 |
| 2018 | 495,000 | 45,150 | 540,150 |
| 2019 | 500,000 | 40,200 | 540,200 |
| 2020 | 510,000 | 34,200 | 544,200 |
| 2021 | 345,000 | 27,060 | 372,060 |
| 2022-2024 | 1,075,000 | 44,920 | 1,119,920 |
| Totals | \$ 3,412,000 | \$ 240,576 | \$ 3,652,576 |

**CITY OF ATHENS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

G. LONG-TERM OBLIGATIONS (continued)

\$2,000,000 Combination Tax and Surplus Revenue Certification of Obligation, Series 2000 were issued for the purpose of renovation and improvements to water system, sewer lines, and related sewer system improvements and the professional services in connection. Debt obligations are to be paid from the collection of ad valorem taxes and net revenues of the water/sewer system. This debt was refunded during 2016.

\$5,500,000 Combination Tax and Surplus Revenue Certification of Obligation, Series 2004 were issued for the purpose of water and wastewater infrastructure improvements. Debt obligations are to be paid from the collection ad valorem taxes and net revenues of the water/sewer system. This debt was refunded during 2016.

\$4,745,000 General Obligation Refunding Bonds, Series 2015 were issued to refund the 2000 CO, 2004 CO, in business activities and the 1998 CO in the government activities. The debt has incremental interest rates of 0.60% to 2.230% over the life of the bond through 2024. Debt obligations are to be paid from the collection of ad valorem taxes and net revenues of the utility system.

H. COMPENSATED ABSENCES

Compensated absences represent the estimated liability for employees' accrued compensatory time and vacation leave which employees are entitled to be paid upon termination of employment if all requirements are met as stated in the personnel manual adopted by City Council. The retirement of this liability is typically paid from the General Fund and the Proprietary Fund based on the assignment of an employee at termination.

I. INTERFUND AND TRANSFERS

The City has the following interfund balances as of September 30, 2016:

| <u>Fund</u> | <u>Balance</u> | <u>Receivable/Payable Fund</u> |
|----------------|-----------------|--------------------------------|
| General Fund | \$ (132,790) | Hotel, Other |
| Airport Fund | 11,105 | General |
| Hotel Fund | 150,000 | General |
| Debt Service | (16,405) | General |
| Utility | (789) | General |
| Airport Grants | (11,121) | General |
| TOTAL | <u>\$ -</u> | |

The City has the following transfers for the fiscal year ended September 30, 2016:

| <u>Fund</u> | <u>Transfer</u> | <u>Receiving/Paying Fund</u> |
|-------------------|-----------------|-----------------------------------|
| General Fund | \$ 958,194 | Utility, Special Donations, Other |
| Airport Fund | (90,400) | General |
| Special Donations | (212,500) | General |
| Capital Projects | (9,028) | General |
| Utility | (704,166) | General |
| Airport Grants | 57,900 | General |
| TOTAL | <u>\$ -</u> | |

**CITY OF ATHENS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

J. PENSION PLAN

1. Plan Description

The City provides pension benefits for all its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide 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 ("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 City Council, 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 payment 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.

Plan provisions for the City were as follows:

| | Plan Year | |
|--|----------------|----------------|
| | 2015 | 2014 |
| Employee Deposit Rate | 7.00% | 7.00% |
| Matching Ratio (City to Employee) | 2 to 1 | 2 to 1 |
| Years required for vesting | 5 years | 5 years |
| Service retirements eligibility (expressed as age/years of service) | 60/5, 0/25 | 60/5, 0/25 |
| Updated Service Credit | 100% Repeating | 100% Repeating |
| Annuity Increase (to retirees) | 70% of CPI | 70% of CPI |

Employees covered by benefit terms:

At December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

| | Plan Year | |
|--|------------|------------|
| | 2015 | 2014 |
| Inactive employees or beneficiaries current receiving benefits | 61 | 62 |
| Inactive employees entitled to but not yet receiving benefits | 45 | 38 |
| Active employees | 121 | 117 |
| | <u>227</u> | <u>217</u> |

**CITY OF ATHENS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

J. PENSION PLAN (continued)

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 City Council. 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 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 21.33% and 21.41% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2016 were \$1,356,975 and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability ("NPL") was measured as of December 31, 2015, and the Total Pension Liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The TPL in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|------|
| Inflation | 3.0% |
| Overall payroll growth | 3.0% |
| Investment Rate of Return | 7.0% |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-district RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 96%. The rates are projected on a fully generational basis of scale BB to account for future mortality improvement. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period of January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the EAN actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation.

The long-term expected rate of return on pension plan investments is 7%. 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.

**CITY OF ATHENS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

J. PENSION PLAN

4. Net Pension Liability (continued)

Changes in the Net Pension Liability

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
| Balance at 12/31/2014 | \$ 32,615,433 | \$ 22,730,027 | \$ 9,885,406 |
| Changes for the year: | | | |
| Service cost | 1,107,277 | - | 1,107,277 |
| Interest | 2,267,157 | - | 2,267,157 |
| Change in benefit terms | - | - | - |
| Difference between expected/actual experience | (209,910) | - | (209,910) |
| Changes of assumptions | 86,986 | - | 86,986 |
| Contributions - employer | | 1,356,975 | (1,356,975) |
| Contributions - employee | | 449,330 | (449,330) |
| Net investment income | | 33,544 | (33,544) |
| Benefit payments, including refunds of employee contributions | (1,562,220) | (1,562,220) | - |
| Administrative expenses | | (20,429) | 20,429 |
| Other charges | | (1,009) | 1,009 |
| Net changes | 1,689,290 | 256,191 | 1,433,099 |
| Balance at 12/31/2015 | \$ 34,304,723 | \$ 22,986,218 | \$ 11,318,505 |

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 for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return (Arithmetic)</u> |
|-----------------------|------------------------------|--|
| 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% |
| | <u>100.0%</u> | |

Discount Rate

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

**CITY OF ATHENS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

J. PENSION PLAN (continued)

4. Net Pension Liability (continued)

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

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

| | Current Single Rate Assumption | |
|----------------------|--------------------------------------|----------------------|
| 1% Decrease 5.75% | 6.75% | 1% Increase 7.75% |
| <u>\$ 16,433,365</u> | <u>\$11,318,505</u> | <u>\$ 7,155,867</u> |

5. Pension Expense and deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of \$1,621,777.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|-------------------------------------|------------------------------------|
| Differences between expected and actual economic experience | \$ - | \$ 169,308 |
| Changes in actuarial assumptions | - | (70,161) |
| Difference between projected and actual investment earnings | 1,246,046 | - |
| Contributions subsequent to the measurement date of December 31, 2015 | 930,508 | - |
| | <u>\$ 2,176,554</u> | <u>\$ 99,147</u> |

\$930,508 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

| Net deferred outflows (inflows) of resources: | |
|---|---------------------|
| December 31, | |
| 2015 | \$ 266,337 |
| 2016 | 266,337 |
| 2017 | 266,335 |
| 2018 | 249,041 |
| 2019 | (4,039) |
| Thereafter | - |
| Total | <u>\$ 1,044,011</u> |

6. Group-term Life Insurance

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

**CITY OF ATHENS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

J. PENSION PLAN (continued)

6. Group-term Life Insurance (continued)

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

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

The City's contributions to the TMRS SDBF for the years ended 2015, 2014 and 2013 were \$12,838, \$12,325 and \$11,898, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates
(RETIREE-only portion of the rate)

| Plan/ Calendar Year | Annual Required Contribution (Rate) | Annual Contribution Made (Rate) | Percentage of ARC Contributed |
|---------------------------|---|---------------------------------------|-------------------------------------|
| 2013 | 0.03% | 0.03% | 100% |
| 2014 | 0.03% | 0.03% | 100% |
| 2015 | 0.04% | 0.04% | 100% |

K. HEALTH CARE COVERAGE

During the year ended September 30, 2016, employees of the City were covered by a health insurance plan with the Blue Cross Blue Shield. The contract between the City and Blue Cross Blue Shield is renewable January 1 of each year and the terms of coverage and premium costs are included in the contractual provision. For the current fiscal year, the City paid premium costs of \$525.58 for each eligible employees.

L. INSURANCE COVERAGE

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims up to \$125,000 and for aggregate loss. According to the latest actuarial opinion dated October 1, 2014, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

M. 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. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State 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 reimbursement. 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.

**CITY OF ATHENS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

N. LITIGATION

Currently, management is unaware of significant pending litigation against the City.

O. ADDITIONAL UTILITY INFORMATION

The following information is included at the request of the Texas Water Development Board for the year under audit. Water Accountability Report:

| | |
|----------------|-------------|
| Gallons Pumped | 730,924,000 |
| Gallons Billed | 726,018,300 |

P. PRIOR PERIOD ADJUSTMENT

Prior period adjustments were made for the following:

Business-type activities:

| | |
|--|-----------------------|
| To record beginning balance of net pension liability | <u>\$ (1,684,393)</u> |
|--|-----------------------|

During 2015, management implemented GASB 68 which addresses a government's treatment of pensions. Based on this pronouncement, pensions were added to the government-wide financial statements.

Although GASB 68 addresses pensions on a government-wide basis, it does not specify a requirement for recording pensions on a fund balance sheet. As a result, governments can interpret to include pensions on a proprietary type balance sheet or not include it based on internal requirements. In 2015, management chose not to include the pensions on the proprietary fund balance sheet nor on the government type fund balance sheets.

Although not required by current rules, management has chosen to include in 2016 the pensions based on surveying other government entities in Texas which as a whole chose to include pensions on fund accounting proprietary balance sheets. This was done to maintain a consistency with other reporting entities. This prior period adjustment reflects a change based on accounting rules, standards and pronouncements and does not reflect a prior year error nor misinterpretation of facts.

Q. SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after September 30, 2016 up through May 19, 2017, the date the financial statements were available to be issued.

A Certificate of Obligation Tax Revenue and Limited Revenue Series 2016 was issued on January 11, 2017 for \$11,755,000. The debt was issued for improving and extending the City's water and wastewater system as well as construction and improving park and recreation facilities. As well, proceeds from the debt were also intended to provide improvements to the Cain Center and for constructing and improving City Hall, a community events center and fire fighting facilities.



REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF ATHENS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**SCHEDULE OF CONTRIBUTIONS
 LAST THREE FISCAL YEARS (UNAUDITED)**

| | <u>2016</u> | <u>2015</u> |
|---|-----------------------|-----------------------|
| Actuarially determined contribution | \$ 1,374,307 | \$ 1,375,903 |
| Contributions in relation to the actuarially determined contribution | <u>\$ (1,374,307)</u> | <u>\$ (1,375,903)</u> |
| Contributions deficiency (excess) | \$ - | \$ - |
| Covered employee payroll | \$ 6,418,998 | \$ 6,487,050 |
| Contributions as a percentage of covered employee payroll | 21.41% | 21.21% |

Note: Years will continue to be added until there are 10 years for comparison.

**CITY OF ATHENS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 30 years |
| Asset Valuation Method | 10 Year smoothed market; 15% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.50% to 10.5% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014. |
| Mortality | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB |

Other Information:

Notes There were no benefit changes during the year

**CITY OF ATHENS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS-TMRS**

| | <u>12/31/2015</u> | <u>12/31/2014</u> |
|---|-----------------------------|-----------------------------|
| Total pension liability | | |
| Service cost | \$ 1,107,277 | \$ 999,695 |
| Interest (on the Total Pension Liability) | 2,267,157 | 2,170,306 |
| Changes of benefit terms | - | - |
| Difference between expected and actual experience | (209,910) | (414,587) |
| Change of assumptions | 86,986 | - |
| Benefit payments, including refund of employee contributions | (1,562,220) | (1,289,000) |
| Net Change in Total Pension Liability | <u>1,689,290</u> | <u>1,466,414</u> |
| Total Pension Liability - Beginning | <u>32,615,433</u> | <u>31,149,019</u> |
| Total Pension Liability - Ending (a) | <u><u>\$ 34,304,723</u></u> | <u><u>\$ 32,615,433</u></u> |
| Plan Fiduciary Net Position | | |
| Contributions - employers | \$ 1,356,975 | \$ 1,341,520 |
| Contributions - employees | 449,330 | 454,813 |
| Net investment income | 33,544 | 1,203,399 |
| Benefit payments, including refund of employee contributions | (1,562,220) | (1,289,000) |
| Administrative expense | (20,429) | (12,562) |
| Other | (1,009) | (1,033) |
| Net Change in Plan Fiduciary Net Position | <u>256,191</u> | <u>1,697,137</u> |
| Plan Fiduciary Net Position - Beginning | <u>22,730,027</u> | <u>21,032,890</u> |
| Plan Fiduciary Net Position - Ending (b) | <u><u>\$ 22,986,218</u></u> | <u><u>\$ 22,730,027</u></u> |
| Net Pension Liability - Ending (a)-(b) | <u>\$ 11,318,505</u> | <u>\$ 9,885,406</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 67.01% | 69.69% |
| Covered Employee Payroll | \$ 6,418,998 | \$ 6,487,050 |
| Net Pension Liability as a Percentage of Covered Employee Payroll | 176.33% | 152.39% |

Notes to Schedule:

Note: Years will continue to be added until there are 10 years for comparison.

**CITY OF ATHENS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**OTHER POST-EMPLOYMENT BENEFITS PLAN - ANALYSIS OF FUNDING PROGRESS
 LAST SEVEN FISCAL YEARS (UNAUDITED)**

| Fiscal Year | Actuarial Valuation Date | Actuarial Accrued Liability-Projected Unit Credit | Unfunded Actuarial Accrued Liability | Funded Ratio | Covered Payroll | Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll |
|--------------------|---------------------------------|--|---|---------------------|------------------------|--|
| 2009 | 10/1/2008 | \$ 1,680,130 | \$ 1,680,130 | 0.0% | \$ 5,265,395 * | 31.9% |
| 2010 | 10/1/2008 | 1,680,130 | 1,680,130 | 0.0% | 5,853,728 * | 28.7% |
| 2011 | 10/1/2010 | 2,828,456 | 2,828,456 | 0.0% | 5,738,115 * | 49.3% |
| 2012 | 10/1/2010 | 2,828,456 | 2,828,456 | 0.0% | 5,665,505 * | 49.9% |
| 2013 | 10/1/2012 | 2,753,862 | 2,753,862 | 0.0% | 5,903,889 * | 46.6% |
| 2014 | 10/1/2012 | 2,753,862 | 2,753,862 | 0.0% | 5,903,889 * | 46.6% |
| 2015 | 10/1/2014 | 3,164,384 | 3,164,384 | 0.0% | 5,657,617 * | 55.9% |
| 2016 | 10/1/2014 | 3,164,384 | 3,164,384 | 0.0% | 5,657,617 * | 55.9% |

ANNUAL REQUIRED CONTRIBUTION (ARC)

| | |
|---|-------------------|
| Actuarial Valuation Date | 10/1/2015 |
| Service Cost | \$ 277,687 |
| Unfunded Actuarial Accrued Liability Amortization | 184,942 |
| Annual Required Contributions | <u>\$ 462,629</u> |

* Payroll information is as of December 31 for each year shown above.
 Note: Actuarial information updated every three years.

SUPPLEMENTARY INFORMATION



**CITY OF ATHENS, TEXAS
BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

| | Airport Fund | Hotel Tax Fund | Law Enforcement Fund | Airport Grant Fund | Special Donations Fund |
|---|-------------------------|-------------------------------|-------------------------------------|-----------------------------------|---------------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - |
| Taxes Receivable (net of allowances for uncoll) | 166 | - | - | 75 | - |
| Receivables (net of allowances for uncoll) | - | - | - | - | - |
| Cash - Restricted | 202,088 | 509,994 | - | - | 90,052 |
| Inventories | - | - | - | - | - |
| Due From Other Funds | 11,105 | 150,000 | - | - | - |
| Prepaid Items | - | - | - | - | - |
| Total Assets | <u>213,359</u> | <u>659,994</u> | <u>-</u> | <u>75</u> | <u>90,052</u> |
| LIABILITIES | | | | | |
| Accounts payable | 3,038 | 1,907 | - | - | 356 |
| Accrued interest payable | - | - | - | - | - |
| Accrued expenses | - | - | - | - | - |
| Due to Other Funds | - | - | - | 11,121 | - |
| Total Liabilities | <u>3,038</u> | <u>1,907</u> | <u>-</u> | <u>11,121</u> | <u>356</u> |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Inventories and Prepaid Items | - | - | - | - | - |
| Restricted for: | | | | | |
| Capital Acquisition | - | - | - | - | - |
| Retirement of Long-term Debt | - | - | - | - | - |
| Other Restricted Funds | - | - | - | - | - |
| Committed Fund Balance: | | | | | |
| Emergency Reserve | | | | | |
| Capital Acquisition | | | | | |
| Assigned Fund Balance: | | | | | |
| Other Assigned Fund Balance | 210,321 | 658,087 | - | (11,046) | 89,696 |
| Unassigned: | | | | | |
| General Fund | | | | | |
| Total Fund Balances | <u>210,321</u> | <u>658,087</u> | <u>-</u> | <u>(11,046)</u> | <u>89,696</u> |
| Total Liabilities, Deferred Inflow of Resources, and Fund Balances | <u>\$ 213,359</u> | <u>\$ 659,994</u> | <u>\$ -</u> | <u>\$ 75</u> | <u>\$ 90,052</u> |

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

**CITY OF ATHENS, TEXAS
BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

| | Homeland Security Fund | Energy Grants Fund | Municipal Court Technology Fund | Local Forfeited Cash | Total Governmenta Funds |
|---|---------------------------------------|-----------------------------------|--|-------------------------------------|--|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - |
| Taxes Receivable (net of allowances for uncoll) | - | - | - | - | 241 |
| Receivables (net of allowances for uncoll) | - | - | - | - | - |
| Cash - Restricted | - | 209 | 3,364 | 36,611 | 842,318 |
| Inventories | - | - | - | - | - |
| Due From Other Funds | - | - | - | - | 161,105 |
| Prepaid Items | - | - | - | - | - |
| Total Assets | <u>-</u> | <u>209</u> | <u>3,364</u> | <u>36,611</u> | <u>1,003,664</u> |
| LIABILITIES | | | | | |
| Accounts payable | - | - | - | - | 5,301 |
| Accrued interest payable | - | - | - | - | - |
| Accrued expenses | - | - | - | - | - |
| Due to Other Funds | - | - | - | - | 11,121 |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>16,422</u> |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Inventories and Prepaid Items | - | - | - | - | - |
| Restricted for: | | | | | |
| Capital Acquisition | - | - | - | - | - |
| Retirement of Long-term Debt | - | - | - | - | - |
| Other Restricted Funds | - | - | 3,364 | - | 3,364 |
| Committed Fund Balance: | | | | | |
| Emergency Reserve | - | - | - | - | - |
| Capital Acquisition | - | - | - | - | - |
| Assigned Fund Balance: | | | | | |
| Other Assigned Fund Balance | - | 209 | - | 36,611 | 983,878 |
| Unassigned: | | | | | |
| General Fund | - | - | - | - | - |
| Total Fund Balances | <u>-</u> | <u>209</u> | <u>3,364</u> | <u>36,611</u> | <u>987,242</u> |
| Total Liabilities, Deferred Inflow of Resources, and Fund Balances | <u>\$ -</u> | <u>\$ 209</u> | <u>\$ 3,364</u> | <u>\$ 36,611</u> | <u>\$ 1,003,664</u> |

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

CITY OF ATHENS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | <u>Airport Fund</u> | <u>Hotel Tax Fund</u> | <u>Law Enforcement Fund</u> | <u>Airport Grant Fund</u> | <u>Special Donations Fund</u> |
|--|-------------------------|-------------------------------|-------------------------------------|-----------------------------------|---------------------------------------|
| REVENUE | | | | | |
| Property Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Sales Tax Collected | - | - | - | - | - |
| Franchise Taxes | - | - | - | - | - |
| Licenses and Permits | - | - | - | - | - |
| Fines and Forfeitures | - | - | - | - | - |
| Hotel Tax | - | 304,113 | - | - | - |
| Charge for Services | 77,566 | - | - | - | - |
| Grant Revenue | - | - | - | - | - |
| Intergovernmental Revenues-state and federal | - | - | - | - | - |
| Donations | - | - | - | - | - |
| Investment Income | 695 | 1,577 | - | - | 538 |
| Miscellaneous | - | 1,899 | - | - | 68,248 |
| Total Revenues | <u>78,261</u> | <u>307,589</u> | <u>-</u> | <u>-</u> | <u>68,786</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | - | 84,465 | - | - | 14,599 |
| Public Safety | | | | | |
| Police | - | - | - | - | - |
| Fire | - | - | - | - | - |
| Other | | | | | |
| Public Services and Operations | 15,363 | - | - | 31,546 | - |
| Public Works | - | - | - | - | - |
| Capital Outlay: | | | | | |
| General Government | - | - | - | - | - |
| Public Safety | - | - | - | - | - |
| Public Services and Operations | - | - | - | 37,400 | - |
| Public Works | - | - | - | - | - |
| Parks and Recreation | - | - | - | - | - |
| Total Expenditures | <u>15,363</u> | <u>84,465</u> | <u>-</u> | <u>68,946</u> | <u>14,599</u> |
| Excess (deficiency) of revenues over (under) expenditures | 62,898 | 223,124 | - | (68,946) | 54,187 |
| Other Revenues and Financing Sources (uses) | | | | | |
| Sale of assets | - | - | - | - | - |
| Note Proceeds | - | - | - | - | - |
| Transfers | (90,400) | - | - | 57,900 | (212,500) |
| Total Other Financing Sources (uses) | <u>(90,400)</u> | <u>-</u> | <u>-</u> | <u>57,900</u> | <u>(212,500)</u> |
| Net Change in Fund Balances | (27,502) | 223,124 | - | (11,046) | (158,313) |
| Fund Balances, October 1 | 237,823 | 434,963 | - | - | 248,009 |
| Fund Balances, September 30 | <u>\$ 210,321</u> | <u>\$ 658,087</u> | <u>\$ -</u> | <u>\$ (11,046)</u> | <u>\$ 89,696</u> |

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

CITY OF ATHENS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Homeland Security Fund | Energy Grants Fund | Court Technology Fund | Local Forfeited Cash | Total Governmenta Funds |
|--|---------------------------------------|-----------------------------------|--------------------------------------|-------------------------------------|--|
| REVENUE | | | | | |
| Property Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Sales Tax Collected | - | - | - | - | - |
| Franchise Taxes | - | - | - | - | - |
| Licenses and Permits | - | - | - | - | - |
| Fines and Forfeitures | - | - | - | - | - |
| Hotel Tax | - | - | - | - | 304,113 |
| Charge for Services | - | - | - | - | 77,566 |
| Grant Revenue | - | - | - | - | - |
| Intergovernmental Revenues-state and federal | - | - | - | - | - |
| Donations | - | - | - | - | - |
| Investment Income | - | - | 13 | 97 | 2,920 |
| Miscellaneous | - | - | 4,319 | 6,311 | 80,777 |
| Total Revenues | - | - | 4,332 | 6,408 | 465,376 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | - | - | 11,094 | - | 110,158 |
| Public Safety | - | - | - | - | - |
| Police | - | - | - | - | - |
| Fire | - | - | - | - | - |
| Other | - | - | - | - | - |
| Public Services and Operations | - | - | - | - | 46,909 |
| Public Works | - | - | - | - | - |
| Capital Outlay: | - | - | - | - | - |
| General Government | - | - | - | - | - |
| Public Safety | - | - | - | - | - |
| Public Services and Operations | - | - | - | - | 37,400 |
| Public Works | - | - | - | - | - |
| Parks and Recreation | - | - | - | - | - |
| Total Expenditures | - | - | 11,094 | - | 194,467 |
| Excess (deficiency) of revenues over (under) expenditures | - | - | (6,762) | 6,408 | 270,909 |
| Other Revenues and Financing Sources (use): | | | | | |
| Sale of assets | - | - | - | - | - |
| Note Proceeds | - | - | - | - | - |
| Transfers | - | - | - | - | (245,000) |
| Total Other Financing Sources (uses) | - | - | - | - | (245,000) |
| Net Change in Fund Balances | - | - | (6,762) | 6,408 | 25,909 |
| Fund Balances, October 1 | - | 209 | 10,126 | 30,203 | 961,333 |
| Fund Balances, September 30 | \$ - | \$ 209 | \$ 3,364 | \$ 36,611 | \$ 987,242 |

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