

ATHENS MUNICIPAL WATER AUTHORITY  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF HENDERSON

I, STEPHEN R. SPARKMAN of the Athens Municipal Water Authority  
(Name of Duly Authorized District Representative) (Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 8TH day of April, 2015 its annual audit report of the fiscal year or period ended September 30, 2014 and that copies of the annual audit report have been filed in the district office, located at 508 E. Tyler, Athens, Texas 75751  
(Address of District)

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements of the Texas Water Code, Section 49.194.

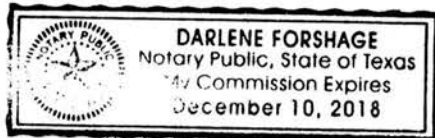
Date April 8, 2015

By:

Stephen R. Sparkman  
(Signature of District Representative)

STEPHEN R. SPARKMAN PRESIDENT  
(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this 8 day of April, 2015.



(SEAL)

Darlene Forshage  
(Signature of Notary)

Commission expires on 12-10-18

Notary Public in and for the State of Texas

# SMITH, LAMBRIGHT & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA  
J. W. Lambright, CPA

Cheri E. Kirkland, CPA  
Chris M. Johnson, CPA

P. O. Box 912  
505 E. Tyler  
Athens, Texas 75751  
(903) 675-5674  
FAX (903) 675-5676  
smithlambright.com

## Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Other Information

### Independent Auditor's Report

Governing Board  
Athens Municipal Water Authority  
508 E. Tyler  
Athens, Texas 75751

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Athens Municipal Water Authority (the "AMWA"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District'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.

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, each major fund, and the aggregate remaining fund information of the AMWA as of September 30, 2014, 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* 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 AMWA's basic financial statements. The budgetary comparison schedule - general fund, combining and individual nonmajor fund financial statements, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule - general fund, combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule - general fund, combining and individual nonmajor fund financial statements, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2015 on our consideration of the AMWA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 AMWA's internal control over financial reporting and compliance.

Respectfully submitted,

*Smith, Lambright & Associates, P.C.*

SMITH, LAMBRIGHT AND ASSOCIATES, P. C.  
Certified Public Accountants

March 4, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS



## **ATHENS MUNICIPAL WATER AUTHORITY**

508 E. TYLER  
ATHENS TX 75751  
903-675-5131  
Fax: 903-675-7562

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management for the Athens Municipal Water Authority (AMWA), we offer readers of the Athens Municipal Water Authority financial statements this narrative overview and analysis of the financial activities of the AMWA for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements which begin on page 11. All amounts in this discussion and analysis, unless otherwise indicated, are expressed in whole dollars.

#### **Financial Highlights**

- The assets of the AMWA exceeded its liabilities at September 30, 2014 by \$10,551,467. Of this amount unrestricted net position of \$2,276,683 may be used to meet the Authority's ongoing obligations to citizens and creditors.
- Total net position increased by \$472,020. The entire amount was associated with governmental type activities.
- As of the close of the current fiscal year, the AMWA governmental fund reported an ending fund balance of \$5,299,054. This was a increase of \$523,370 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was \$2,276,683. The AMWA Board has currently committed \$3,022,371 for future capital improvements.
- Property tax values for the 2013 tax rolls increased by \$10,837,023 1.66% over the prior tax year (2012).
- Property tax rate is set at .124673/\$100 valuation for the fiscal year.
- AMWA land ingress/egress and associated fees were not increased during the year.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Athens Municipal Water Authority basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-wide financial statements**

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

The statement of net position presents information on all of the Authority's assets and liabilities, 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 Authority 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 this statement for some items that will only result in cash flows in future fiscal periods.

Both government-wide financial statements distinguish functions of the Authority that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the AMWA include general government, conservation and development capital outlay and certain charges for service. The AMWA has no business type activities.

The government-wide financial statements can be found on pages 11 and 12 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The AMWA, like other municipal utility districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the AMWA are in the governmental funds category.

### **Governmental Funds**

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

## BASIC FINANCIAL STATEMENTS

ATHENS MUNICIPAL WATER AUTHORITY  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

	<u>Primary Government</u>
	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,677,396
Investments	1,619,625
Receivables (net of allowance for uncollectibles)	57,835
Capital Assets:	
Land	1,628,032
Infrastructure, net	2,490,223
Buildings, net	4,030
Improvements, net	120,845
Machinery and equipment, net	29,610
Major Repairs	453,878
Other Assets, net	<u>525,795</u>
Total Assets	<u>10,607,269</u>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	<u>55,802</u>
Total Liabilities	<u>55,802</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	5,252,413
Committed for capital improvements	3,022,371
Unrestricted net position	<u>2,276,683</u>
Total Net Position	<u>\$ 10,551,467</u>

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

See accompanying notes to financial statements.



ATHENS MUNICIPAL WATER AUTHORITY  
BALANCE SHEET  
GOVERNMENTAL FUND  
YEAR ENDED SEPTEMBER 30, 2014

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,677,396
Investments	1,619,625
Taxes receivable (Net of Allowance for Uncollectibles)	45,653
Other receivable (Net of Allowance for Uncollectibles)	<u>12,182</u>
Total Assets	<u>\$ 5,354,856</u>
<b>LIABILITIES</b>	
Accounts payable	<u>\$ 55,802</u>
Total Liabilities	<u>55,802</u>
<b>FUND BALANCES</b>	
Committed:	
Construction	3,022,371
Unassigned:	
Reported in the general fund	<u>2,276,683</u>
Total Fund Balances	<u>5,299,054</u>
Total Liabilities and Fund Balances	<u>\$ 5,354,856</u>

See accompanying notes to financial statements.

ATHENS MUNICIPAL WATER AUTHORITY  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2014

<b>Total Fund Balances - Governmental Funds</b>	\$ 5,299,054
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$7,995,090 and the accumulated depreciation was \$2,691,327. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase (decrease) net position.	5,303,763
Current year capital outlays are expenditures in the fund financial statement, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2014 capital outlays is to increase (decrease) net position.	113,590
Capital asset adjustment.	(12,301)
The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(152,639)
Current year capital asset disposal or transferred to the City of Athens are not recorded in the fund financial statements, but they should be shown as decreases in capital assets in the government-wide financial statements. The capital asset disposed of had a cost of \$0 and accumulated depreciation of \$0. The net effect of including the 2014 capital disposal or transfer is to increase (decrease) net position.	0
<b>Net Position of Governmental Activities</b>	<u><u>\$ 10,551,467</u></u>

ATHENS MUNICIPAL WATER AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund
<b>REVENUES</b>	
Taxes:	
Property	\$ 821,600
Penalty and interest	14,115
Licenses and permits	147,660
Intergovernmental Revenue and Grants	586
Charges for services	64,694
Investment earnings	24,012
Rents and Royalties	24,651
Sale of Capital Asset	495
	<u>1,097,813</u>
Total Revenues	
	<u>1,097,813</u>
<b>EXPENDITURES</b>	
General government	385,243
Conservation	75,610
Capital outlay	113,590
	<u>574,443</u>
Total Expenditures	
	574,443
Excess (Deficiency of Revenues Over (Under) Expenditures	<u>523,370</u>
Net Change in Fund Balances	
Fund Balances - October 1 (Beginning)	<u>4,775,684</u>
Fund Balances - September 30 (Ending)	<u>\$ 5,299,054</u>

ATHENS MUNICIPAL WATER AUTHORITY  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 523,370
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2014 capital outlays is to increase (decrease) net position.	113,590
Capital asset adjustment.	(12,301)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(152,639)
Current year capital asset disposal is not recorded in the fund financial statements, but they should be shown as decreases in capital assets in the government-wide financial statements. The capital asset disposed of had a cost of \$0 and accumulated depreciation of \$0. The net effect of including the 2014 capital disposal or transfer is to increase (decrease) net position.	0
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 472,020</u></u>



ATHENS MUNICIPAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENT  
YEAR ENDED SEPTEMBER 30, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

The Athens Municipal Water Authority was originally created and established as a conservation and reclamation district pursuant to Chapter 142, Acts of the 55th Legislature, Regular Session, 1957, as amended by Chapter 157, Acts of the 57th Legislature, Regular Session, 1961. The Water Authority was converted into a municipal utility district operating under the provisions of Chapter 54 of the Texas Water Code pursuant to an order of the Texas Water Commission dated February 11, 1980.

All significant activities and organizations on which the Water Authority exercises oversight responsibility have been included in the Water Authority's financial statements, for the year ended September 30, 2014. The following criteria regarding manifestation of oversight were considered by the Water Authority in its evaluation of Water Authority organizations and activities:

- Financial interdependency - The Water Authority is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Water Authority.
- Election of the government authority - The locally elected Water Authority Governing Board is exclusively responsible for all public decisions and accountable for the decisions it makes.
- Designation of management - Water Authority Governing Board contracts with the City of Athens, Texas for management of its operations. The activities under the purview of management are within the scope of the reporting entity and management is accountable to the Water Authority for the activities being managed.
- Accountability of fiscal matters - The responsibility and accountability over all funds is vested in the management of the Water Authority.
- Ability to significantly influence operations - The Water Authority has the statutory authority under the provisions of the applicable statutes to significantly influence operations. This authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, signing contracts, and developing the programs to be provided.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Athens Municipal Water Authority. *Governmental activities* include programs supported primarily by taxes, interest, certain charges for current charges, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the Water Authority operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the Water Authority. Examples include ingress/egress fees, licenses, and permits, etc. The "grants and contributions" column includes amounts paid by organizations outside the Water Authority to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the Water Authority's functions. Taxes are always general revenues.



ATHENS MUNICIPAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENT  
YEAR ENDED SEPTEMBER 30, 2014

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

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Revenues from local sources consist primarily of property taxes. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

**D. FUND ACCOUNTING**

The Water Authority reports the following major governmental funds:

- 1. The General Fund** – The general fund is the Water Authority's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

**Proprietary Funds:**

There are no propriety fund types for this entity.

**Fiduciary Funds:**

There are no fiduciary fund types for this entity.

ATHENS MUNICIPAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENT  
YEAR ENDED SEPTEMBER 30, 2014

**E. FUND BALANCE**

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

1. Nonspendable fund balance - includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable.
2. Restricted Fund Balance - includes amounts that are restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions of enabling legislation.
3. Committed Fund Balance - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board Members. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
4. Assigned Fund Balance - includes amounts that are constrained by the Water Authority's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Board or by other officials to which the Board has delegated the authority to assign amounts to be used for specific purposes. When it is appropriate for fund balance to be assigned, the Board delegates the responsibility to assign funds to the City Officials or their designee.
5. Unassigned Fund Balance - is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Water Authority will utilize funds in the following spending order: Restricted, Committed, Assigned and Unassigned.

ATHENS MUNICIPAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENT  
YEAR ENDED SEPTEMBER 30, 2014

**F. OTHER ACCOUNTING POLICIES**

1. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Water Authority as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the Water Authority are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Months</u>
Buildings	264
Improvements	264
Infrastructure	400
Vehicles	60
Office Equipment	60
Computer Equipment	60

2. There are no restrictions on assets as of September 30, 2014.
3. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans for future water sources, that are subject to change.
4. When the Water Authority incurs an expense for which it may use either restricted or unrestricted assets, it uses the unrestricted assets first whenever they will have to be returned if they are not used.



ATHENS MUNICIPAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENT  
YEAR ENDED SEPTEMBER 30, 2014

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

<u>Capital Assets at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	\$ 1,628,032	\$ 0	\$ 1,628,032	
Buildings	201,708	197,342	4,366	
Improvements	54,506	14,451	40,055	
Machinery & Equipment	148,148	110,866	37,282	
Major Repairs	481,995	16,067	465,928	
Infrastructure	4,720,178	2,352,601	2,367,577	
Construction in Progress Future Water Resource	<u>760,523</u>	<u>0</u>	<u>760,523</u>	
Totals	<u>7,995,090</u>	<u>2,691,327</u>	<u>5,303,763</u>	
Change in Net Position				
Net Adjustment to Net Position				<u>\$ 5,303,763</u>

ATHENS MUNICIPAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENT  
YEAR ENDED SEPTEMBER 30, 2014

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

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

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current Year Capital Outlay</u>			
Land	\$	\$	\$
Buildings			
Equipment			
Improvements	83,757	83,757	83,757
Major Repairs			
Infrastructure	29,833	29,833	29,833
Construction in Progress			
Future Water System			
Total Capital Outlay	<u>113,590</u>	<u>113,590</u>	<u>113,590</u>
Total Adjustment to Net Position	<u>\$ 113,590</u>	<u>\$ 113,590</u>	<u>\$ 113,590</u>

**C. EXPLANATION OF OTHER DIFFERENCES**

Another element of the reconciliation on Exhibits C-2 and C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Asset</u>	<u>Adjustments to Net Assets</u>
Capital Asset Adjustment	<u>\$ (12,301)</u>	<u>\$ (12,301)</u>	<u>\$ (12,301)</u>
Total	<u>\$ (12,301)</u>	<u>\$ (12,301)</u>	<u>\$ (12,301)</u>



ATHENS MUNICIPAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENT  
YEAR ENDED SEPTEMBER 30, 2014

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

The Governing Board adopts an "appropriated budget" for the General Fund. The Water Authority is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The Water Authority compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit C-5.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to September 30 the Water Authority prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to October 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the Water Authority has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

There were no reconciling items as of September 30, 2014.

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

N/A

**C. DEFICIT FUND EQUITY**

N/A

ATHENS MUNICIPAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENT  
YEAR ENDED SEPTEMBER 30, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Water Authority to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

State statutes authorize the Water Authority to invest in (1) obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009.; (2) Certificates of deposit and share certificates as permitted by Government Code 2256.010.; (3) Fully collateralized repurchase agreements permitted by Government Code 2256.011.; (4) A securities lending program as permitted by Government code 2256.0115.; (5) Banker's acceptances as permitted by Government Code 2256.012.; (6) Commercial paper as permitted by Government Code 2256.013.; (7) No load money market mutual funds and no load mutual funds as permitted by Government Code 2256.014.; (8) A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015.; and (9) Public funds investment pools as permitted by Government Code 2256.016.

In compliance with the Public funds Investment Act, the Water Authority has adopted an investment policy. The Water Authority is in substantial compliance with the requirements of the Act. The risks that the Water Authority may be subject are:

- a. **Custodial Credit Risk - Deposits:** This is the risk that in the event of a bank failure, the Water Authority's deposits, including checking, money market accounts and certificates of deposit, may not be returned to it.

The funds of the Water Authority must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the Water Authority's agent bank in an amount sufficient to protect Water Authority funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. During 2013-2014 the Water Authority's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the Water Authority and held by the Water Authority's agent.

The largest combined balances of cash, savings and time deposit accounts amounted to \$5,357,843 and occurred on March 19, 2014. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$5,943,554. The total amount of FDIC coverage at the time of the highest combined balance was \$500,000.

- b. **Custodial Credit Risk - Investments:** This is the risk that, in the event of the failure of the counterparty, the Water Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Any investment that is both uninsured and unregistered is exposed to custodial credit risk if the investment is held by the counterparty, or if the investment is held by the counterparty's trust department or agent, but not in the name of the investor government. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Positions in external investment pools are not subject to custodial credit risk.



ATHENS MUNICIPAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENT  
YEAR ENDED SEPTEMBER 30, 2014

- c. **Interest Rate Risk:** Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.
- d. **Concentration of Credit Risk:** Concentration risk is defined as positions of five percent or more in the securities of a single issuer. This is the issuer of the underlying investment, and not a pool. This does not apply to U.S. Government securities.

**CASH DEPOSITS**

At September 30, 2014, the amount of the Water Authority's cash balance in the checking account was \$3,677,396. The cash balance in interest bearing account was \$1,619,625.

**INVESTMENTS**

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

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Demand Deposits	\$ 3,677,396	\$ 3,677,396	.0822
Certificates of Deposits	1,609,622	1,609,622	.246575
TexPool	10,004	10,004	.139726
Total Investments	<u>\$ 5,297,022</u>	<u>\$ 5,297,022</u>	

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly the market value of the position in these pools is the same as the value of the shares in each pool, which approximates the carrying amount. The investment pools are organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

**B. PROPERTY TAXES**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the Water Authority in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

ATHENS MUNICIPAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENT  
YEAR ENDED SEPTEMBER 30, 2014

**C. DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are recorded in the general fund based on rates adopted for the year of the levy allowances for uncollectible tax receivables within the general fund are based on historical experience in collecting property taxes. The Water Authority is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**D. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2014, were as follows:

	Property Taxes	Other	Total Receivables
<b>Governmental Activities:</b>			
General Fund	\$ 45,653	\$ 12,182	\$ 57,835
Total - Governmental Activities	<u>45,653</u>	<u>12,182</u>	<u>57,835</u>

Amounts not scheduled for collection  
during the subsequent year

\$	<u>0</u>	\$	<u>0</u>	\$	<u>0</u>
----	----------	----	----------	----	----------

Payables at September 30, 2014, were as follows:

	Accounts Payable	Total Payable
<b>Governmental Activities:</b>		
General Fund	\$ 55,802	\$ 55,802
Total - Gov. Activities	<u>55,802</u>	<u>55,802</u>

Amounts not scheduled for payment  
during the subsequent year

\$	<u>0</u>	\$	<u>0</u>
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ATHENS MUNICIPAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENT  
YEAR ENDED SEPTEMBER 30, 2014

**E. CAPITAL ASSET ACTIVITY**

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

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance
Governmental Activities:					
Land	\$ 1,628,032	\$	\$	\$	\$ 1,628,032
Buildings	201,708				201,708
Improvements	54,506	83,757			138,263
Machinery and Equipment	148,149				148,149
Major Repairs	481,995				481,995
Infrastructure	4,720,178	29,833		222,426	4,972,437
Construction in Progress - Future Water Resource	760,523			(234,728)	525,795
Totals at Historic Cost	7,995,091	113,590	0	(12,302)	8,096,379
Less Accumulated Depreciation for:					
Land	0				0
Buildings	(197,342)	(336)			(197,678)
Improvements	(14,451)	(2,967)			(17,418)
Machinery and Equipment	(110,866)	(7,673)			(118,539)
Infrastructure	(2,352,601)	(129,613)			(2,482,214)
Major Repairs	(16,067)	(12,050)			(28,117)
Construction in Progress Water Line	0				0
Construction in Progress - Future Water Resource					0
Total Accumulated Depreciation	(2,691,327)	(152,639)	0	0	(2,843,966)
Governmental Activities Capital Assets, Net	\$ 5,303,764	\$ (39,049)	\$ 0	\$ (12,302)	\$ 5,252,413

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 152,639
Total Depreciation Expense	\$ 152,639



ATHENS MUNICIPAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENT  
YEAR ENDED SEPTEMBER 30, 2014

**F. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

	<u>General Fund</u>	<u>Total</u>
Property Taxes	\$ 821,600	\$ 821,600
Penalties, Interest and Other Income	14,115	14,115
Licenses and Permits	147,660	147,660
Intergovernmental Revenue and Grants	586	586
Charges for Services	64,694	64,694
Investment Revenue	24,012	24,012
Rents and Royalties	24,651	24,651
Sale of Capital Asset	495	495
	<u>495</u>	<u>495</u>
Total	<u>\$ 1,097,813</u>	<u>\$ 1,097,813</u>

**G. LITIGATION**

N/A

**H. SUBSEQUENT EVENTS**

N/A

ATHENS MUNICIPAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENT  
YEAR ENDED SEPTEMBER 30, 2014

**I. COMMITMENTS**

The Water Authority has made a commitment to participate in an intergovernmental bid package designed to provide incentives for the Texas Parks and Wildlife Foundation to locate "...a state-of-the-art fish hatchery, research facility, visitors' center, and associated facilities..." near Lake Athens. The Texas Parks and Wildlife Foundation chose the intergovernmental bid from Athens. The Water Authority's obligation is summarized as follows:

Cash Obligation:

Land Purchase	\$ 145,500	
Cash contributions	450,000	(to be paid \$150,000 per year)
Construction of improvements	<u>570,000</u>	
Total estimated cash	<u>1,165,500</u>	

In-Kind Obligation:

Raw water for life of facility	500,000	(estimated 25 years)
Less: Obligation Previously Satisfied	(360,000)	
Operation and maintenance of raw water supply/discharge system for 15 years	97,500	
Less: Obligation Previously Satisfied	<u>(97,500)</u>	
Total estimated in-kind	<u>140,000</u>	
Total estimated amount	<u>\$ 1,305,500</u>	

The Water Authority did not fund any of this obligation for the current year. Through agreed-upon adjustments and cash outlay of \$1,165,500 in prior years there is no amount due in future cash requirements. Approximately \$140,000 in in-kind obligations is to be extinguished in future years. The facility started operations in the fall of 1996 and is now utilizing in-kind obligations that should continue for another eight years.

ATHENS MUNICIPAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENT  
YEAR ENDED SEPTEMBER 30, 2014

**J. FUND BALANCE**

Fund Balance is classified as nonspendable, restricted, committed, assigned and/or unassigned. The individual fund balances of the Water Authority are:

<u>Fund Balance</u>	<u>General Fund</u>	<u>Total</u>
Nonspendable	\$ 0	\$ 0
Restricted:		
Federal Grants	0	0
State Grants	0	0
Other	<u>0</u>	<u>0</u>
Total Restricted	<u>0</u>	<u>0</u>
Committed:		
Construction	<u>3,022,371</u>	<u>3,022,371</u>
Total Committed	<u>3,022,371</u>	<u>3,022,371</u>
Assigned	<u>0</u>	<u>0</u>
Unassigned	<u>2,276,683</u>	<u>2,276,683</u>
Total Fund Balances	<u><u>\$ 5,299,054</u></u>	<u><u>\$ 5,299,054</u></u>

REQUIRED SUPPLEMENTARY INFORMATION



ATHENS MUNICIPAL WATER AUTHORITY  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive or (Negative)
<b>REVENUES</b>				
Taxes:				
Property	\$ 843,262	\$ 843,262	\$ 821,600	\$ (21,662)
Penalty and interest	14,400	14,400	14,115	(285)
Licenses and permits	147,550	147,550	147,660	110
Intergovernmental Revenue and Grants	0	0	586	586
Charges for services	65,000	65,000	64,694	(306)
Investment earnings	17,500	17,500	24,012	6,512
Rents and Royalties	26,250	26,250	24,651	(1,599)
Sale of Capital Asset	0	0	495	495
Total Revenue	<u>1,113,962</u>	<u>1,113,962</u>	<u>1,097,813</u>	<u>(16,149)</u>
<b>EXPENDITURES</b>				
General government	460,350	460,350	385,243	75,107
Conservation	93,632	93,632	75,610	18,022
Capital outlay	<u>285,000</u>	<u>285,000</u>	<u>113,590</u>	<u>171,410</u>
Total Expenditures	<u>838,982</u>	<u>838,982</u>	<u>574,443</u>	<u>264,539</u>
Net Change in Fund Balance	274,980	274,980	523,370	248,390
Fund Balance October 1 (Beginning)	<u>4,775,684</u>	<u>4,775,684</u>	<u>4,775,684</u>	<u>0</u>
Fund Balance - September 30 (Ending)	<u>\$ 5,050,664</u>	<u>\$ 5,050,664</u>	<u>\$ 5,299,054</u>	<u>\$ 248,390</u>

TEXAS SUPPLEMENTARY INFORMATION

ATHENS MUNICIPAL WATER AUTHORITY  
SERVICES AND RATES  
SEPTEMBER 30, 2014

1. Services Provided by the District during the Fiscal Year:

- |                                                                                                                                          |                                                     |                                     |
|------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------|
| <input type="checkbox"/> Retail Water                                                                                                    | <input checked="" type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage   |
| <input type="checkbox"/> Retail Wastewater                                                                                               | <input type="checkbox"/> Wholesale Sewer            | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation                                                                                                | <input type="checkbox"/> Fire Protection            | <input type="checkbox"/> Security   |
| <input type="checkbox"/> Solid Waste/Garbage                                                                                             | <input type="checkbox"/> Flood Control              | <input type="checkbox"/> Roads      |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service<br>(other than emergency interconnect) |                                                     |                                     |
| <input type="checkbox"/> Other _____                                                                                                     |                                                     |                                     |

2. Retail Service Providers

N/A

ATHENS MUNICIPAL WATER AUTHORITY  
SERVICES AND RATES  
SEPTEMBER 30, 2014

3. **Total water consumption during the Fiscal Year (rounded to the nearest thousand):**

Gallons pumped into system:	633,194,000	Water Accountability Ratio:
Gallons billed to customers:	633,194,000	(Gallons billed/Gallons pumped)
		<u>100%</u>

4. **Standby Fees (authorized only under TWC Section 49.231):**

Does the District have Debt Service standby fees? Yes \_\_\_ No X

If yes, Date of the most recent commission Order: \_\_\_\_\_

Does the District have Operation and Maintenance standby fees? Yes \_\_\_ No X

If yes, Date of the most recent commission Order: \_\_\_\_\_

5. **Location of District:**

County(ies) in which District is located: Henderson

Is the District located entirely within one county? Yes X No \_\_\_

Is the District located within a city? Entirely X Partly \_\_\_ Not at all \_\_\_

City(ies) in which District is located: Athens, TX

Is the District located within a city's extra territorial jurisdiction (ELJ)? Entirely \_\_\_ Partly \_\_\_ Not at all X

ETJ's in which District is located. N/A \_\_\_\_\_

Are Board members appointed by an office outside the District? Yes \_\_\_ No X

If Yes, by whom? N/A \_\_\_\_\_



ATHENS MUNICIPAL WATER AUTHORITY  
OPERATING EXPENDITURES - GENERAL FUND  
SEPTEMBER 30, 2014

## Operating Expenses:

Small Tools & Equipment	\$ 0
Communication	134
Travel & Training	0
Inspection Expense	73,219
Repair & Maintenance	10,591
Insurance	12,680
Miscellaneous	709
Professional Fees:	
Auditing & Accounting	4,500
Legal	6,259
Other Professional Fees	294,112
Contracted Services:	
Management Expense	30,000
Appraisal District	13,801
Tax Collector	6,913
Other Contracted Services	4,344
Utilities	2,391
Repairs and Maintenance Supplies	559
Office Supplies	641
Depreciation	152,639
Net on Disposition	<u>0</u>
TOTAL EXPENDITURES	<u><u>\$ 613,492</u></u>

ATHENS MUNICIPAL WATER AUTHORITY  
TEMPORARY INVESTMENTS  
SEPTEMBER 30, 2014

<u>Item</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balances at End of Year</u>	<u>Accrued Int. Receivable at End of Year</u>
Tax Fund:					
	Checking	0.32%	Monthly	\$ 2,460,280	\$ 0
	CD#17200429	0.60%	7/28/2015	603,608	0
	Texpool	0.04%	Monthly	<u>5,002</u>	<u>0</u>
Total				<u>\$ 3,068,890</u>	<u>\$ 0</u>
Revenue Fund:					
	Checking	0.32%	Monthly	\$ 1,217,116	\$ 0
	CD#17200431	0.60%	7/23/2015	1,006,014	0
	Texpool	0.04%	Monthly	<u>5,002</u>	<u>0</u>
Total				<u>\$ 2,228,132</u>	<u>\$ 0</u>
Total - All Funds				<u><u>\$ 5,297,022</u></u>	<u><u>\$ 0</u></u>

ATHENS MUNICIPAL WATER AUTHORITY  
TAXES LEVIED and RECEIVABLE  
SEPTEMBER 30, 2014

	<u>Tax Fund</u>	<u>Other District Taxes</u>
Taxes Receivable, Beginning of Year	\$ 48,019	\$
2013 Original Tax Levy	824,736	
(less Adjustments)	<u>(3,164)</u>	
Total to be Accounted for	<u>869,591</u>	
Tax Collections:		
Current Year	808,339	
Prior Year	<u>14,187</u>	
Total Collections	<u>822,526</u>	
Taxes Receivable, End of Year	<u>\$ 47,065</u>	<u>\$</u>

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Property Valuations	\$ 661,519,720	\$ 650,759,114	\$ 645,079,552	\$ 642,619,810
Tax Rates per \$100 Valuation:				
Maintenance & Operations	<u>.124673</u>	<u>.124673</u>	<u>.124673</u>	<u>.124673</u>
Total Tax Rate	<u>.124673</u>	<u>.124673</u>	<u>.124673</u>	<u>.124673</u>
Original Tax Levy	<u>\$ 824,736</u>	<u>\$ 811,321</u>	<u>\$ 804,240</u>	<u>\$ 801,099</u>
Percentage of Taxes Collected to Taxes Levied	<u>98.01%</u>	<u>99.20%</u>	<u>99.11%</u>	<u>99.57%</u>

ATHENS MUNICIPAL WATER AUTHORITY  
REVENUE BONDS PAYABLE - BY YEARS  
SEPTEMBER 30, 2014

N/A



ATHENS MUNICIPAL WATER AUTHORITY  
CHANGES IN REVENUE BONDS PAYABLE  
SEPTEMBER 30, 2014

N/A

	Amounts				
	2014	2013	2012	2011	2010
<b>Governmental Revenue:</b>					
Property Taxes	74.83%	75.25%	75.02%	69.01%	46.09%
Water Service	19.34%	19.09%	19.72%	16.29%	10.98%
Penalties & Interest	1.29%	1.68%	1.20%	1.29%	0.18%
Investment	2.19%	1.29%	1.58%	11.02%	9.06%
Sale of Assets	0.05%	0.40%	0.00%	0.00%	31.95%
Grants	0.05%	0.00%	0.00%	0.05%	0.04%
Miscellaneous	2.25%	2.29%	2.48%	2.34%	1.70%
<b>Total Operating Revenues</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Governmental Expense:</b>					
Office Supplies	0.00%	0.01%	0.01%	0.02%	0.01%
Operating Supplies	0.01%	0.07%	1.74%	1.41%	1.00%
Repair & Maintenance Supplie	0.05%	1.58%	1.90%	2.26%	0.94%
Small Tools & Equipment	0.00%	0.20%	0.04%	0.06%	0.16%
Subscriptions, Books, Periodicals	0.05%	0.00%	0.04%	0.00%	0.05%
Professional Services	26.79%	8.66%	4.86%	15.44%	10.90%
Communication Expense	0.01%	0.07%	0.05%	0.06%	0.05%
Travel & Training	0.00%	0.00%	0.00%	0.03%	0.01%
Advertising	0.05%	0.19%	0.13%	0.08%	0.11%
Rentals	0.00%	0.00%	0.00%	0.00%	0.00%
Other Contractual Services	0.02%	0.05%	0.05%	0.04%	0.03%
Audit Expense	0.41%	0.42%	0.39%	0.34%	0.22%
Outside Legal Expense	0.57%	0.00%	0.00%	0.00%	0.00%
Management Expense	2.73%	2.80%	2.82%	2.51%	1.75%
Federal / State Licensing	0.02%	0.01%	0.00%	0.00%	0.00%
Henderson County Collection	0.63%	0.64%	0.65%	0.57%	0.40%
Appraisal Expense	1.26%	1.25%	1.45%	1.20%	0.92%
Water Board Meeting Expense	0.00%	0.00%	0.00%	0.00%	0.00%
Election Expense	0.38%	0.00%	0.94%	0.00%	0.00%
Miscellaneous	0.00%	0.01%	0.01%	0.03%	0.01%
Bad Debts Expense	0.00%	0.00%	0.02%	0.01%	0.00%
Repair & Maintenance	0.96%	11.77%	4.49%	11.65%	5.17%
Insurance Expense	1.16%	0.99%	1.12%	0.79%	0.54%
Postage	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Transfer	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Conservation Expense</b>					
Electricity	0.22%	0.17%	0.14%	0.14%	0.09%
Inspection Expense	6.67%	6.81%	6.10%	5.31%	5.07%
Depreciation Expense	13.90%	12.61%	11.82%	12.89%	9.15%
Net on Disposition	0.00%	0.00%	0.00%	0.00%	0.07%
<b>Total Expense</b>	<b>55.89%</b>	<b>48.31%</b>	<b>38.77%</b>	<b>54.84%</b>	<b>36.65%</b>
<b>Excess Revenues Over (Under)</b>					
<b>Expenditures</b>	<b>44.11%</b>	<b>51.69%</b>	<b>61.23%</b>	<b>45.16%</b>	<b>63.35%</b>

ATHENS MUNICIPAL WATER AUTHORITY  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2014

ATHENS MUNICIPAL WATER AUTHORITY  
508 EAST TYLER STREET  
ATHENS, TEXAS 75751  
903-675-5131

Submission Date of the Most Recent District Registration Form

1/30/14

Limit on Fees of Office that a Director may receive during a fiscal year:  
(Set by Board Resolution - TWC Section 49.060)

\$150

<u>Names</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid* (FYE date)</u>	<u>Expense Reimbursements (FYE date)</u>	<u>Title at Year End</u>
<b>Board Members:</b>				
Stephen Sparkman	5/2012 - 5/2016	0	0	President
Ed Gatlin	5/2014 - 5/2018	0	0	Vice-President
Donald Foster	12/2013 - 5/2016	0	0	Secretary
David Thomas	2/2014 - 5/2016	0	0	Director
Mike Peek	5/2014 - 5/2018	0	0	Director

**Key Personnel:**

None

**Consultants:**

Kugle, Skelton & Bennett PC	\$	133,864	Attorneys
Wylie Pirkle	\$	48,310	Executive Director
Velvin & Weeks	\$	33,905	Engineers
Henderson County Tax Assessor	\$	6,913	Tax Collector
Smith, Lambright & Associates, P.C.	\$	4,500	Auditor
Henderson County Appraisal District	\$	13,801	Tax Assessor
Messer Rockefeller & Forj, PLLC	\$	179,484	Attorney

COMPLIANCE AND INTERNAL CONTROL SECTION



**SMITH, LAMBRIGHT & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA  
J. W. Lambright, CPA

Cheri E. Kirkland, CPA  
Chris M. Johnson, CPA

P. O. Box 912  
505 E. Tyler  
Athens, Texas 75751  
(903) 675-5674  
FAX (903) 675-5676  
smithlambright.com

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

**Independent Auditor's Report**

Governing Board  
Athens Municipal Water Authority  
508 E. Tyler  
Athens, Texas 75751

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Athens Municipal Water Authority (the "AMWA") as of and for the year ended September 30, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 4, 2015.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully submitted,

*Smith, Lambright & Associates, P.C.*

SMITH, LAMBRIGHT & ASSOCIATES, P. C.  
Certified Public Accountants

March 4, 2015