

ATHENS MUNICIPAL WATER AUTHORITY

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2016

ATHENS MUNICIPAL WATER AUTHORITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF HENDERSON

I, _____ 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 _____ day of _____, _____ its annual audit report of the fiscal year or period ended September 30, 2016 and that copies of the annual audit report have been filed in the district office, located at P.O. Box 229, Athens, TX 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 _____, _____

By: _____
(Signature of District Representative)

(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this _____ day of _____ 2017.

(SEAL)

(Signature of Notary)

Commission expires on _____

Notary Public in and for the State of Texas

SMITH, LAMBRIGHT & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

Governing Board
Athens Municipal Water Authority
P.O. Box 229
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, 2016, and the related notes to the financial statements, which collectively comprise the AMWA'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, 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* 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 Required Supplementary 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, schedule of changes in net pension liability, schedule of contributions, and Texas Supplementary Information as required by the Texas Commission on Environmental Quality, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule - general fund, schedule of changes in net pension liability, schedule of contributions, and Texas Supplementary Information 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, schedule of changes in net pension liability, schedule of contributions, and Texas Supplementary Information 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 January 18, 2017 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

January 18, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

ATHENS MUNICIPAL WATER AUTHORITY

P.O. Box 229
ATHENS TX 75751
903-804-8501

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, 2016. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements which begin on page 14. 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, 2016 by \$11,049,417. Of this amount unrestricted net position of \$2,350,052 may be used to meet the Authority's ongoing obligations to citizens and creditors.
- Total net position decreased by \$268,998. 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 \$5,372,423. This was a decrease of \$(178,444) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was \$2,350,052. The AMWA Board has currently committed \$3,022,371 for future capital improvements.
- Property tax values for the 2015 tax rolls increased by \$24,700,452, 3.6% over the prior tax year (2014).
- Property tax rate is set at .119729/\$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 14 and 15 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.

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

The AMWA maintains one governmental fund. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Charges in Fund Balances for the General Fund.

The Authority adopts an annual budget for its General Fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget and is presented as required supplemental information.

The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

Proprietary Funds

The AMWA does not maintain any proprietary funds.

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 can be found on pages 20 through 39 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other required supplementary information concerning budgetary comparisons, and miscellaneous statistical information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2016, the Authority's assets exceeded its liabilities by \$11,049,417. The largest portion of the Authority's net position (51.3%) reflects its investment in current assets. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Athens Municipal Water Authority Net Position

	Government Activities 2016	Government Activities 2015
Current and other assets	\$ 5,380,492	\$ 5,554,885
Capital assets	5,672,413	5,229,143
Total assets	11,052,905	10,784,028
Deferred Outflows of Resources	4186	409
Accounts Payable and Other current Liabilities	7,674	4,018
Total liabilities	7,674	4,018
Net Position:		
Restricted for Pension	4581	409
Invested in capital assets, net of related debt	5,672,413	5,229,143
Committed For Capital Improvements	3,022,371	3,022,371
Unrestricted Net Position	2,350,052	2,528,496
Total net position	<u>\$ 11,049,417</u>	<u>\$ 10,780,010</u>

The following chart shows the revenue and expenses of the total primary government.

Athens Municipal Water Authority Changes in Net Position

	Governmental Activities 2016	Governmental Activities 2015
REVENUES		
Program revenues:		
Charges for services	\$ 236,182	\$ 208,714
Operating grants and contributions		0
Capital grants and contributions		0
Total Program Revenues	<u>236,182</u>	<u>208,714</u>
General revenues:		
Taxes:		
Property Taxes	835,577	821,899
Penalty and Interest	9,259	15,275
Miscellaneous Revenue	1,515	29,921
Investment Earnings	19,401	22,253
Sale of Capital Assets	0	500
Capital Asset Adjustment	0	0
Miscellaneous	0	0
Total General Revenue	<u>865,752</u>	<u>889,848</u>
Total Revenue	<u>1,101,934</u>	<u>1,098,562</u>
EXPENSES		
General Government	\$ 832,936	\$ 869,610
Total Expense	<u>832,936</u>	<u>869,610</u>
Increase in net assets before transfers	268,998	228,952
Transfers		
Change in net position	<u>268,998</u>	<u>228,952</u>
Net position October 1	10,780,419	10,551,467
Net position September 30	<u>\$ 11,049,417</u>	<u>\$ 10,780,419</u>

Governmental Activities. Governmental activities increased the Authority's net position by \$268,998 accounting for 100 percent of the total increase in the net position. The increase in net position was due to increases in capital assets and a reduction in liabilities at year end.

Financial Analysis of the Governments' Funds

Governmental Funds

The focus of the AMWA governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the AMWA Governmental funds reported combined ending fund balances of \$11,049,417. Approximately 27.35% of this amount \$3,022,371 constitutes fund balance committed to capital improvements.

The General Fund is the chief operating fund of the Authority. For the fiscal year ended September 30, 2016, unassigned fund balance of the General Fund was \$2,350,052, while total fund balance reached \$5,372,423.

The General Fund's fund balance decreased during the current fiscal year \$178,444. Key factors in this decrease are as follows:

- Total expenditures in excess of total revenues.

General Fund Budgetary Highlights

The General Fund budget was adopted as noted above.

Capital Asset and Debt Administration

Capital Assets

The Authority's investment in capital assets for its governmental type activities at September 30, 2016 amounts to \$5,672,413 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, easements, equipment, computer hardware, vehicles, capitalized software, as well as infrastructure assets such as water lines and water treatment facilities. The total net increase in the Authority's investment in capital assets for the current fiscal year was 8.5%.

Additional information on the Authority's capital assets can be found in note E on page 27 of this report.

Long-term Debt

At the end of the current fiscal year, the Authority had no outstanding long term debt

Economic Factors and Next Year's Budgets and Rates

- Property tax values increase with the taxable valuations in 2015 increasing by 3.6%.
- The tax rate is set at .119729/\$100 valuation for fiscal year 2016-17
- The Authority has embarked on various capital investments in water well farms as future water sources. The Board continues to restrict funds for these and other future capital improvements.

Requests for Information

This financial report is designed to provide a general overview of the Athens Municipal Water Authority finances for all of the districts residents, taxpayers, customers, investors and creditors. This report seeks to demonstrate the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the AMWA, P.O. Box 229, Athens, Texas 75751.

BASIC FINANCIAL STATEMENTS

ATHENS MUNICIPAL WATER AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3 369 133
Investments	1 959 124
Receivables (net of allowance for uncollectibles)	51 840
Prepaid Expenses	0
Net Pension Asset Related to TCDRS	395
Capital Assets:	
Land	1 628 032
Infrastructure, net	2 812 547
Buildings, net	34 814
Improvements, net	103 743
Machinery and equipment, net	54 229
Major Repairs	429 778
Other Assets, net	<u>609 270</u>
Total Assets	<u>11 052 905</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to TCDRS	<u>4 186</u>
Total Deferred Outflows of Resources	<u>4 186</u>
LIABILITIES	
Accounts payable and other current liabilities	<u>7 674</u>
Total Liabilities	<u>7 674</u>
NET POSITION	
Invested in capital assets, net of related debt	5 672 413
Restricted for capital improvements	3 022 371
Restricted for Pension - GASB 68	4 581
Unrestricted net position	<u>2 350 052</u>
Total Net Position	<u>\$ 11 049 417</u>

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

ATHENS MUNICIPAL WATER AUTHORITY
STATEMENT OF NET ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

				Net Revenue (Expense) Changes in Net Position <u>Primary Government</u>
		<u>Program Revenues</u>		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government:				
GOVERNMENT ACTIVITIES:				
General government	\$ (832 936)	\$ 236 182	\$ 0	\$ (596 754)
Total Government Activities	<u>(832 936)</u>	<u>236 182</u>	<u></u>	<u>(596 754)</u>
General Revenues:				
Taxes:				
Property taxes levied for general purposes				835 577
Penalty and Interest				9 259
Miscellaneous revenue				1 515
Investment earnings				<u>19 401</u>
Total General Revenues				<u>865 752</u>
Sale of Capital Asset				0
Capital Asset Adjustment				<u>0</u>
Change in Net Position				268 998
Net Position - Beginning				<u>10,780,419</u>
Net Position - Ending				<u>\$ 11 049 417</u>

See accompanying notes to financial statements.

ATHENS MUNICIPAL WATER AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
YEAR ENDED SEPTEMBER 30, 2016

	General Fund
ASSETS	
Cash and cash equivalents	\$ 3 369 133
Investments	1 959 124
Taxes receivable (Net of Allowance for Uncollectibles)	38 090
Other receivable (Net of Allowance for Uncollectibles)	13 750
Prepaid Expense	<u>0</u>
Total Assets	<u>\$ 5 380 097</u>
LIABILITIES	
Accounts payable	<u>\$ 7 674</u>
Total Liabilities	<u>7 674</u>
FUND BALANCES	
Committed:	
Construction	3 022 371
Unassigned:	
Reported in the general fund	<u>2 350 052</u>
Total Fund Balances	<u>5 372 423</u>
Total Liabilities and Fund Balances	<u>\$ 5 380 097</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, 2016

Total Fund Balances - Governmental Funds	\$ 5 372 423
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 \$8,235,485 and the accumulated depreciation was \$3,006,342. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase (decrease) net position.	5 229 143
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 2016 capital outlays is to increase (decrease) net position.	620 845
Capital asset adjustment.	0
The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(177 575)
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 2016 capital disposal or transfer is to increase (decrease) net position.	0
Included in the noncurrent assets/liabilities is the recognition of the AMWA's net pension asset/(liability) required by GASB 68 in the amount of \$395, a deferred resource inflow in the amount of \$0, and a deferred resource outflow in the amount of \$4,186. This resulted in an increase/(decrease) in net position.	4 581
Net Position of Governmental Activities	<u><u>\$ 11 049 417</u></u>

ATHENS MUNICIPAL WATER AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund
REVENUES	
Taxes:	
Property	\$ 835 577
Penalty and interest	9 259
Licenses and permits	171 157
Intergovernmental Revenue and Grants	0
Charges for services	65 025
Investment earnings	19 401
Rents and Royalties	0
Sale of Capital Asset	0
Miscellaneous Income	<u>1 515</u>
Total Revenues	<u>1 101 934</u>
EXPENDITURES	
General government	659 533
Capital outlay	<u>620 845</u>
Total Expenditures	<u>1 280 378</u>
Excess (Deficiency of Revenues Over (Under) Expenditures	<u>(178 444)</u>
Net Change in Fund Balances	
Fund Balances - October 1 (Beginning)	<u>5,550,867</u>
Fund Balances - September 30 (Ending)	<u><u>\$ 5 372 423</u></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, 2016

Total Net Change in Fund Balances - Governmental Funds	\$ (178 444)
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 2015 capital outlays is to increase (decrease) net position.	620 845
Capital asset adjustment.	0
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.	(177 575)
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 2016 capital disposal or transfer is to increase (decrease) net position.	0
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/15 caused the change in the ending net position to increase in the amount of \$4,186. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(409). The AMWA's reported TCDRS net pension expense had to be recorded. The net pension expense increased/decreased the change in net position by \$395. The result of these changes is to increase/(decrease) the change in net position.	4 172
Change in Net Position of Governmental Activities	<u>\$ 268 998</u>

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2016

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, 2016. 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.
- 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.

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2016

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.

Pensions. The fiduciary net position of the Texas County and District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, pension expense, and information about assets, liabilities and additions to/deductions from TCERS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2016

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, 2016

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, 2016

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 \$1,500 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, 2016.
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, 2016

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	198,015	3,693	
Improvements	138,263	25,969	112,294	
Machinery & Equipment	148,149	129,091	19,058	
Infrastructure	4,972,437	2,613,100	2,359,337	
Major Repairs	503,708	40,167	463,541	
Construction in Progress	<u>643,188</u>	<u>0</u>	<u>643,188</u>	
Totals	<u>8,235,485</u>	<u>3,006,342</u>	<u>5,229,143</u>	
Change in Net Position				<u> </u>
Net Adjustment to Net Position				<u>\$ 5,229,143</u>

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2016

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	32,126	32,126	32,126
Equipment	28,810	28,810	28,810
Improvements			
Major Repairs			
Infrastructure	470,807	470,807	470,807
Construction in Progress	89,102	89,102	89,102
Total Capital Outlay	<u>620,845</u>	<u>620,845</u>	<u>620,845</u>
Total Adjustment to Net Position	\$ <u>620,845</u>	\$ <u>620,845</u>	\$ <u>620,845</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>0</u>	\$ <u>0</u>	\$ <u>0</u>
Total	<u>\$ <u>0</u></u>	<u>\$ <u>0</u></u>	<u>\$ <u>0</u></u>

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2016

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 D-1.

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, 2016.

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, 2016

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 2015-2016 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 \$5,681,294 and occurred on February 11, 2016. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$7,667,612. 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, 2016

- 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, 2016, the amount of the Water Authority's cash balance in the checking account was \$3,365,492. The cash balance in interest bearing account was \$1,959,124.

INVESTMENTS

The Water Authority's investments at September 30, 2016, are shown below:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of Deposits	\$ 1,959,124	\$ 1,959,124	.246575
Total Investments	<u>\$ 1,959,124</u>	<u>\$ 1,959,124</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 when they become due or past due and receivable within the current period.

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2016

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, 2016, were as follows:

	Property Taxes	Other	Total Receivables
Governmental Activities:			
General Fund	\$ 38,090	\$ 13,750	\$ 51,840
Total - Governmental Activities	<u>38,090</u>	<u>13,750</u>	<u>51,840</u>

Amounts not scheduled for collection
during the subsequent year

<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
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Payables at September 30, 2016, were as follows:

	Accounts Payable	Total Payable
Governmental Activities:		
General Fund	\$ 7,675	\$ 7,675
Total - Gov. Activities	<u>7,675</u>	<u>7,675</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, 2016

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the Water Authority for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance
Governmental Activities:					
Land	\$ 1,628,032	\$	\$	\$	\$ 1,628,032
Buildings	201,708	32,126			233,834
Improvements	138,263				138,263
Machinery and Equipment	148,149	28,810		21,713	198,672
Major Repairs	503,708			(21,713)	481,995
Infrastructure	4,972,437	470,807		123,020	5,566,264
Construction in Progress	643,188	89,102		(123,020)	609,270
Totals at Historic Cost	<u>8,235,485</u>	<u>620,845</u>			<u>8,856,330</u>
Less Accumulated Depreciation for:					
Land	0				
Buildings	(198,015)	(1,005)			(199,020)
Improvements	(25,969)	(8,551)			(34,520)
Machinery and Equipment	(129,091)	(15,352)			(144,443)
Infrastructure	(2,613,100)	(140,617)			(2,753,717)
Major Repairs	(40,167)	(12,050)			(52,217)
Construction in Progress Water Line	0				
Construction in Progress					
Total Accumulated Depreciation	<u>(3,006,342)</u>	<u>(177,575)</u>			<u>(3,183,917)</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,229,143</u>	<u>\$ 443,270</u>	<u>\$</u>	<u>\$</u>	<u>\$ 5,672,413</u>

Depreciation expense was charged to governmental functions as follows:

General Government	<u>\$ 177,575</u>
Total Depreciation Expense	<u>\$ 177,575</u>

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2016

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	\$ 835,577	\$ 835,577
Penalties, Interest and Other Income	9,259	9,259
Licenses and Permits	171,157	171,157
Intergovernmental Revenue and Grants	0	0
Charges for Services	65,025	65,025
Investment Revenue	19,401	19,401
Rents and Royalties	0	0
Sale of Capital Asset	0	0
Miscellaneous Income	<u>1,515</u>	<u>1,515</u>
Total	<u>\$ 1,101,934</u>	<u>\$ 1,101,934</u>

G. LITIGATION

The AMWA is involved in one item of litigation, the outcome of which is unknown as of the audit report date.

H. SUBSEQUENT EVENTS

N/A

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2016

I. COMMITMENTS

1. The AMWA 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 AMWA'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	(400,000)	
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>100,000</u>	
Total estimated amount	<u>\$ 1,265,500</u>	

The AMWA 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 \$100,000 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 five years.

2. To offset any additional costs that may be incurred by the City in undertaking the operation, maintenance, and repair of certain AMWA facilities, the Authority will make the following payments to the City:

- (a) \$200,000 on date of October 1, 2015;
- (b) \$200,000 on date of October 1, 2016; and,
- (c) \$200,000 on date of October 1, 2017.

Thereafter, City shall have the sole responsibility for the operation, maintenance and repair of facilities.

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2016

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	<u>\$ 0</u>	<u>\$ 0</u>
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>2,350,052</u>	<u>2,350,052</u>
Total Fund Balances	<u><u>\$ 5,372,423</u></u>	<u><u>\$ 5,372,423</u></u>

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2016

K. RETIREMENT PLAN

Plan Description

- a. Athens Municipal Water Authority participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
 - 1) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
 - 2) The plan provides retirement, disability and survivor benefits.
 - 3) TCERS is a savings-based plan. For the district's plan, 4% of each employee's pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest on beginning or year balances annually. At retirement, the account is matched at an employer set percentage (current match is 100%) and is then converted to an annuity.
 - 4) There are no automatic COLAs. Each year, the district may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
 - 5) Benefit terms are established under the TCERS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.
- c. Membership information is shown in the chart below.
- d. The district's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Athens Municipal Water Authority contribution rate is based on the TCERS funding policy adopted by the TCERS Board of Trustees and must conform with the TCERS Act. The employee contribution rates are set by the district and are currently 4%. Contributions to the pension plan from the district for 2016 are shown in the following information.
- e. The most recent comprehensive annual financial report for TCERS can be found at the following link, www.tcders.org.

Membership Information

<u>Members</u>	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2015</u>
Number of inactive employees entitled to but not yet receiving benefits:	0	0
Number of active employees:		3
Average monthly salary*:	\$	4,763
Average age*:		52.67
Average length of service in years*:		17.16

Inactive Employees (or their Beneficiaries) Receiving Benefits

Number of benefit recipients:	0
Average monthly benefit:	\$ 0

*Averages reported for all active and inactive employees. Average service includes all proportionate service.

Contributions

Employees for the AMWA were required to contribute 4.0% of their annual gross earnings during the fiscal year. The contribution rates for the AMWA were 3.22% and 3.22% in calendar years 2015 and 2016, respectively. The AMWA's contributions to TCERS for the year ended September 30, 2016 were \$5,775 and were equal to the required contributions.

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2016

K. RETIREMENT PLAN (continued)

Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/14	\$ 0	\$ 0	\$ 0
Changes for the year:			
Service cost	3,525		3,525
Interest	127		127
Change in benefit terms	28		28
Difference between expected/actual experience	334		334
Changes of assumptions	35		35
Contributions - employer			(1,998)
Contributions - employee		1,998	(2,482)
Net investment income		2,482	35
Benefit payments, including refunds of employee contributions	(381)	(381)	
Administrative expenses		(2)	2
Other charges		1	(1)
Net changes	3,668	4,063	(395)
Balance at 12/31/15	<u>\$ 3,668</u>	<u>\$ 4,063</u>	<u>\$ (395)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the AMWA, calculated using the discount rate of 8.1% as well as what the AMWA's net pension liability would have been if it were calculated using a discount rate that is 1 percentage point lower (7.1%) or 1 percent higher (9.1%) than the current rate.

	1% Decrease in Discount Rate (7.1%)	Current Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
AMWA's net pension liability	\$ 249	\$ (395)	\$ (894)

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2016

K. RETIREMENT PLAN (continued)

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

For the year ended September 30, 2016 the AMWA recognized pension expense in the amount of \$1,234. At September 30, 2016 the AMWA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience (net of current year amortization)	\$	\$
Changes in actuarial assumptions		
Differences between projected and actual investment earnings (net of current year amortization)		
Contributions subsequent to the measurement date	<u>4,186</u>	
Total	<u>\$ 4,186</u>	<u>\$ 0</u>

The \$4,186 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Year ended September 30,	
2015	\$ 0
2016	0
2017	0
2018	0
2019	0
Thereafter	0

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2016

K. RETIREMENT PLAN (continued)

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll closed
Remaining Amortization Period	2.6 years
Asset Valuation Method	5 years, smoothed value, Fund Value
Inflation	3.0%
Salary Increases	4.9%
Investment Rate of Return	8.0%
Retirement Age	Members can retire at ages 60 and above with 10 or more years of service or with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more. A member is vested after 10 years but must leave his accumulated contributions in the plan to receive any employer-financed benefit.
Mortality	The RP2000 Active Employee Mortality Table for males with a two-year set-forward and a four-year setback for females with the projections scale AA.
Other Information:	There were no benefit changes during the year.

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2016

K. RETIREMENT PLAN (continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2016 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 — September 30, 2012 for more details.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected Minus Inflation) ⁽²⁾
US Equities	Dow Jones US total Stock Market Index	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	14.00%	8.45%
Global Equities	MSCI World (net) Index	1.50%	5.75%
International Equities - Developed	MSCI World Ex USA Index	10.00%	5.45%
International Equities - Emerging	MSCI World Ex USA Index	8.00%	6.45%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	5.10%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.09%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.00%	6.40%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	8.10%
REIT Equities	67% FTSE NAREIT Equity REITs Index - 33% FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLPs)	Alerian MLP INDEX	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	5.00%	6.90%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.25%

⁽¹⁾ Target asset allocation adopted at the April 2016 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 1.6%, per Cliffwater's 2016 capital market assumptions.

⁽³⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage year 2007-present of Quarter Pooled Horizon IRRs.

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive or (Negative)
REVENUES				
Taxes:				
Property	\$ 850,905	\$ 850,905	\$ 835,577	\$ (15,328)
Penalty and interest	16,500	16,500	9,259	(7,241)
Licenses and permits	155,320	155,320	171,157	15,837
Intergovernmental Revenue and				
Grants	0	0	0	0
Charges for services	70,000	70,000	65,025	(4,975)
Investment earnings	17,500	17,500	19,401	1,901
Rents and Royalties	4,500	0	0	0
Sale of Capital Asset	550	550	0	(550)
Miscellaneous Income	5,000	5,000	1,515	(3,485)
	<u>1,120,275</u>	<u>1,115,775</u>	<u>1,101,934</u>	<u>(13,841)</u>
Total Revenue				
EXPENDITURES				
General government	647,376	688,115	659,533	28,582
Capital outlay	734,000	637,031	620,845	16,186
	<u>1,381,376</u>	<u>1,325,146</u>	<u>1,280,378</u>	<u>44,768</u>
Total Expenditures				
Net Change in Fund Balance	(261,101)	(209,371)	(178,444)	30,927
Fund Balance October 1 (Beginning)	5,550,867	5,550,867	5,550,867	0
Fund Balance - September 30 (Ending)	<u>\$ 5,289,766</u>	<u>\$ 5,341,496</u>	<u>\$ 5,372,423</u>	<u>\$ 30,927</u>

ATHENS MUNICIPAL WATER AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	2015	2014
Total Pension Liability		
Service cost	\$ 3,525	\$
Interest (on the total pension liability)	127	
Changes of benefit terms	28	
Difference between expected and actual experience	334	
Change of assumptions	35	
Benefit payments, including refunds of employee contributions	(381)	
Net Change in Total Pension Liability	<u>3,668</u>	<u>0</u>
Total Pension Liability - Beginning	<u>0</u>	<u>0</u>
Total Pension Liability - Ending (a)	<u><u>\$ 3,668</u></u>	<u><u>\$ 0</u></u>
 Plan Fiduciary Net Position		
Contributions - employer	\$ 198	\$
Contributions - employee	2,482	
Net investment income	(35)	
Benefit payments, including refunds of employee contributions	(381)	
Administrative expense	(2)	
Other	1	
Net Change in Plan Fiduciary Net Position	<u>4,063</u>	<u>0</u>
Plan Fiduciary Net Position - Beginning	<u>0</u>	<u>0</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 4,063</u></u>	<u><u>\$ 0</u></u>
 Net Pension Liability - Ending (a) - (b)	<u><u>\$ (395)</u></u>	<u><u>\$ 0</u></u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	110.77%	0.00%
 Covered Employee Payroll	\$ 179,228	\$ 12,692
 Net Pension Liability as a Percentage of Covered Employee Payroll	-0.22%	0.00%

ATHENS MUNICIPAL WATER AUTHORITY
 SCHEDULE OF CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 5,775	\$ 1,998
Contributions in relation to actuarially determined contribution	<u>(5,775)</u>	<u>(1,998)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 179,289	\$ 12,692
Contributions as a percentage of covered employee payroll	3.22%	1.11%

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Valuation Date: Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	2.6 years
Asset Valuation Method	5 years, smoothed value Fund Value
Inflation	3.0%
Salary Increases	4.9%
Investment Rate of Return	8.0%
Retirement Age	Members can retire at ages 60 and above with 10 or more years of service or with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more. A member is vested after 10 years but must leave his accumulated contributions in the plan to receive any employer-financed benefit.
Mortality	The RP2000 Active Employee Mortality Table for males with a two-year set-forward and a four-year setback for females with the projection scale AA.

Other Information: There were no benefit changes during the year.

TEXAS SUPPLEMENTARY INFORMATION

ATHENS MUNICIPAL WATER AUTHORITY
SERVICES AND RATES
SEPTEMBER 30, 2016

1. Services Provided by the AMWA 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 (other than emergency interconnect)		
<input type="checkbox"/> Other _____		

2. Retail Service Providers

N/A

ATHENS MUNICIPAL WATER AUTHORITY
SERVICES AND RATES
SEPTEMBER 30, 2016

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

Gallons pumped into system:	796,218,000	Water Accountability Ratio:
Gallons billed to customers:	796,218,000	(Gallons billed/Gallons pumped)
		100%

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

Does the AMWA have Debt Service standby fees? Yes ___ No X

If yes, Date of the most recent commission Order: _____

Does the AMWA have Operation and Maintenance standby fees? Yes ___ No X

If yes, Date of the most recent commission Order: _____

5. Location of AMWA:

County(ies) in which AMWA is located: Henderson

Is the AMWA located entirely within one county? Yes X No ___

Is the AMWA located within a city? Entirely X Partly ___ Not at all ___

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

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

ETJ's in which AMWA is located. N/A _____

Are Board members appointed by an office outside the AMWA? Yes ___ No X

If Yes, by whom? N/A

ATHENS MUNICIPAL WATER AUTHORITY
OPERATING EXPENDITURES - GENERAL FUND
SEPTEMBER 30, 2016

Operating Expenses:

Payroll & Related	\$ 193,757
Travel & Training	1,150
Repair & Maintenance	135,794
Insurance	25,641
Miscellaneous	28,156
Professional Fees:	
Auditing & Accounting	9,400
Other Professional Fees	22,988
Contracted Services:	
Interlocal Agreement	200,000
Appraisal	24,081
Tax Collector	6,917
Other Contracted Services	1,200
Utilities	9,194
Operating Supplies	0
Office Supplies	1,255
Capital Outlay	<u>620,845</u>
TOTAL EXPENDITURES	<u><u>\$ 1,280,378</u></u>

ATHENS MUNICIPAL WATER AUTHORITY
 TEMPORARY INVESTMENTS
 SEPTEMBER 30, 2016

<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	0.30%	Monthly	\$ 708,833	\$ 0
	CD#74000539	0.559%	9/11/17	652,280	0
	CD#34000540	0.50%	9/11/17	653,259	0
	CD#34000541	0.55%	9/11/18	<u>657,585</u>	<u>0</u>
Total				<u>\$ 2,667,957</u>	<u>\$ 0</u>
Revenue Fund:					
	Checking	0.30%	Monthly	<u>\$ 2,660,300</u>	<u>\$ 0</u>
Total				<u>\$ 2,660,300</u>	<u>\$ 0</u>
Total - All Funds				<u><u>\$ 5,328,257</u></u>	<u><u>\$ 0</u></u>

ATHENS MUNICIPAL WATER AUTHORITY
TAXES LEVIED and RECEIVABLE
SEPTEMBER 30, 2016

	<u>Tax Fund</u>	<u>Other AMWA Taxes</u>
Taxes Receivable, Beginning of Year	\$ 31,986	\$
2015 Original Tax Levy	842,580	
(less Adjustments)	<u>1,106</u>	
Total to be Accounted for	<u>875,672</u>	
Tax Collections:		
Current Year	819,847	
Prior Year	<u>15,730</u>	
Total Collections	<u>835,577</u>	
Taxes Receivable, End of Year	<u>\$ 40,095</u>	<u>\$</u>

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Property Valuations	\$ 703,739,545	\$ 680,545,391	\$ 661,519,720	\$ 650,759,114
Tax Rates per \$100 Valuation:				
Maintenance & Operations	<u>.119729</u>	<u>.122173</u>	<u>.124673</u>	<u>.124673</u>
Total Tax Rate	<u>.119729</u>	<u>.122173</u>	<u>.124673</u>	<u>.124673</u>
Original Tax Levy	<u>\$ 842,580</u>	<u>\$ 831,443</u>	<u>\$ 824,736</u>	<u>\$ 811,321</u>
Percentage of Taxes Collected to Taxes Levied	<u>97.29%</u>	<u>99.30%</u>	<u>99.58%</u>	<u>99.68%</u>

ATHENS MUNICIPAL WATER AUTHORITY
REVENUE BONDS PAYABLE - BY YEARS
SEPTEMBER 30, 2016

N/A

ATHENS MUNICIPAL WATER AUTHORITY
CHANGES IN REVENUE BONDS PAYABLE
SEPTEMBER 30, 2016

N/A

ATHENS MUNICIPAL WATER AUTHORITY
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES - FIVE YEARS
FIVE YEARS ENDED SEPTEMBER 30, 2016

	Amounts				
	2016	2015	2014	2013	2012
Governmental Revenue:					
Property Taxes	\$ 835,577	\$ 821,899	\$ 821,600	\$ 805,387	\$ 797,739
Water Service	236,182	208,714	212,354	204,336	209,728
Penalties & Interest	9,259	15,275	14,115	17,942	12,783
Investment	19,401	22,253	24,012	13,810	16,831
Sale of Assets	0	500	495	4,292	0
Grants	0	0	586	0	0
Miscellaneous	1,515	29,921	24,651	24,452	26,289
Total Operating Revenues	1,101,934	1,098,562	1,097,813	1,070,219	1,063,370
Governmental Expense:					
Office Supplies	1,255	16,082	30	60	146
Operating Supplies	3,470	0	75	751	18,501
Repair & Maintenance Supplies	0	1,680	559	16,948	20,254
Small Tools & Equipment	60	0	0	2,100	458
Subscriptions, Books, Periodicals	701	0	536	0	456
Professional Services	22,988	78,373	294,112	92,694	51,692
Communication Expense	0	0	134	712	569
Travel & Training	1,150	482	0	0	0
Advertising	0	0	501	2,021	1,345
Payroll & Related	193,757	61,041	0	0	0
Other Contractual Services	1,200	7,244	206	484	509
Accounting & Audit Expense	9,400	7,350	4,500	4,500	4,200
Outside Legal Expense	0	38,173	6,259	0	0
Management Expense	0	0	30,000	30,000	30,000
Federal / State Licensing	0	0	208	100	0
Henderson County Collection	6,917	6,936	6,913	6,894	6,882
Appraisal Expense	24,081	15,392	13,801	13,363	15,420
Water Board Meeting Expense	0	0	0	0	0
Election Expense	5,945	0	4,138	0	10,032
Miscellaneous	17,443	6,255	0	130	100
Bad Debts Expense	0	0	0	0	175
Repair & Maintenance	135,794	113,299	10,591	125,934	47,757
Insurance Expense	25,641	14,434	12,680	16,555	11,949
Postage	537	0	0	0	17
Interlocal Agreement	200,000	330,000	0	0	0
Utilities	9,194	10,901	2,391	1,818	1,503
Inspection Expense	0	0	73,219	72,855	64,844
Capital Outlay	620,845	139,106	152,639	134,961	125,728
Net on Disposition		0	0	0	0
Total Expense	1,280,378	846,749	613,492	516,880	412,537
Excess Revenues Over (Under)					
Expenditures	\$ (178,444)	\$ 251,813	\$ 484,321	\$ 553,339	\$ 650,833

	Amounts				
	2016	2015	2014	2013	2012
Governmental Revenue:					
Property Taxes	75.83%	74.81%	74.83%	75.25%	75.02%
Water Service	21.43%	19.00%	19.34%	19.09%	19.72%
Penalties & Interest	0.84%	1.39%	1.29%	1.68%	1.20%
Investment	1.76%	2.03%	2.19%	1.29%	1.58%
Sale of Assets	0.00%	0.05%	0.05%	0.40%	0.00%
Grants	0.00%	0.00%	0.05%	0.00%	0.00%
Miscellaneous	0.14%	2.72%	2.25%	2.29%	2.48%
Total Operating Revenues	100.00%	100.00%	100.00%	100.00%	100.00%
Governmental Expense:					
Office Supplies	0.11%	1.46%	0.00%	0.01%	0.01%
Operating Supplies	0.31%	0.00%	0.01%	0.07%	1.74%
Repair & Maintenance Supplies	0.00%	0.15%	0.05%	1.58%	1.90%
Small Tools & Equipment	0.01%	0.00%	0.00%	0.20%	0.04%
Subscriptions, Books, Periodicals	0.06%	0.00%	0.05%	0.00%	0.04%
Professional Services	2.09%	7.13%	26.79%	8.66%	4.86%
Communication Expense	0.00%	0.00%	0.01%	0.07%	0.05%
Travel & Training	0.10%	0.04%	0.00%	0.00%	0.00%
Advertising	0.00%	0.00%	0.05%	0.19%	0.13%
Payroll & Related	17.58%	5.59%	0.00%	0.00%	0.00%
Other Contractual Services	0.11%	0.66%	0.02%	0.05%	0.05%
Accounting & Audit Expense	0.85%	0.67%	0.41%	0.42%	0.39%
Outside Legal Expense	0.00%	3.47%	0.57%	0.00%	0.00%
Management Expense	0.00%	0.00%	2.73%	2.80%	2.82%
Federal / State Licensing	0.00%	0.00%	0.02%	0.01%	0.00%
Henderson County Collection	0.63%	0.63%	0.63%	0.64%	0.65%
Appraisal Expense	2.19%	1.40%	1.26%	1.25%	1.45%
Water Board Meeting Expense	0.00%	0.00%	0.00%	0.00%	0.00%
Election Expense	0.54%	0.00%	0.38%	0.00%	0.94%
Miscellaneous	1.58%	0.57%	0.00%	0.01%	0.01%
Bad Debts Expense	0.00%	0.00%	0.00%	0.00%	0.02%
Repair & Maintenance	12.32%	10.31%	0.96%	11.77%	4.49%
Insurance Expense	2.33%	1.31%	1.16%	0.99%	1.12%
Postage	0.05%	0.00%	0.00%	0.00%	0.00%
Interlocal Agreement	18.15%	30.04%	0.00%	0.00%	0.00%
Utilities	0.83%	0.99%	0.22%	0.17%	0.14%
Inspection Expense	0.00%	0.00%	6.67%	6.81%	6.10%
Capital Outlay	56.35%	12.66%	13.90%	12.61%	11.82%
Net on Disposition	0.00%	0.00%	0.00%	0.00%	0.00%
Total Expense	116.19%	77.08%	55.89%	48.31%	38.77%
Excess Revenues Over (Under)					
Expenditures	-16.19%	22.92%	44.11%	51.69%	61.23%

ATHENS MUNICIPAL WATER AUTHORITY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2016

Exhibit E-8

ATHENS MUNICIPAL WATER AUTHORITY

P.O. Box 229
ATHENS, TEXAS 75751
903-675-5131

Submission Date of the Most Recent AMWA Registration Form 6/1/16

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>
Board Members:				
Mike Peek	5/2014 - 5/2018	0	0	President
Ed Gatlin	5/2014 - 5/2018	0	0	Vice-President
Donald Foster	5/2016 - 5/2020	0	0	Secretary
Milburn Chaney	5/2016 - 5/2020	0	0	Director
Frank Lunceford	5/2016 - 5/2020	0	0	Director
Key Personnel:				
William Casey, Executive Director		\$ 84,000		
Consultants:				
Kugle, Skelton & Bennett PC		\$ 21,385		Attorneys
Velvin & Weeks		\$ 67,721		Engineers
Henderson County Tax Assessor		\$ 6,936		Tax Collector
Smith, Lambright & Associates, P.C.		\$ 6,000		Auditor
Henderson County Appraisal District		\$ 15,756		Tax Assessor
Holdredge, Shaddox, & Habibelahian		\$ 3,400		Accountants

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
David N. Hopkins, 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
P.O. Box 229
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, 2016 and the related notes to the financial statements, which collectively comprise the AMWA's basic financial statements, and have issued our report thereon dated January 18, 2017.

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.

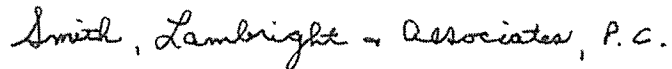
Compliance and Other Matters

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,

A handwritten signature in cursive script that reads "Smith, Lambright & Associates, P.C.".

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

January 18, 2017