

ATHENS MUNICIPAL WATER AUTHORITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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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, 2018 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 _____ 2019.

(Signature of Notary)

(SEAL)

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, 2018, 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, 2018, 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

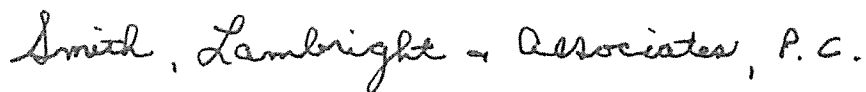
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the AMWA's basic financial statements. The budgetary comparison schedule - general fund, schedule of changes in net pension liability, schedule of contributions, and Texas Supplementary 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, 2018 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,

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

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

February 8, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018. 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, 2018 by \$11,673,407. Of this amount unrestricted net position of \$2,287,699 may be used to meet the Authority's ongoing obligations to citizens and creditors.
- Total net position increased by \$311,273. 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 \$5,317,895. This was a decrease of \$(420,059) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was \$2,287,699. The AMWA Board has currently committed \$3,022,371 for future capital improvements.
- Property tax values for the 2018 tax rolls increased by \$16,835,036, 2.4% over the prior tax year (2017).
- Property tax rate is set at \$.119729/\$100 valuation for the fiscal year.
- AMWA land ingress/egress and associated fees were 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 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, 2018, the Authority's assets exceeded its liabilities by \$11,673,407. The largest portion of the Authority's net position (56.9 %) 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

	Activities	
	Government Activities 2018	Government Activities 2017
Current and other assets	\$ 5,317,895	\$ 4,890,011
Capital assets	6,358,408	6,467,861
Total assets	<u>11,676,303</u>	<u>11,357,872</u>
Deferred Outflows of Resources	12,943	8,864
Accounts Payable and Other current Liabilities	<u>15,722</u>	<u>17,224</u>
Total liabilities	15,722	
Net Position:		
Restricted for Pension	4,929	4,262
Invested in capital assets, net of related debt	6,358,408	6,467,861
Committed for Capital Improvements	3,022,371	1,867,640
Unrestricted Net Position	<u>2,287,699</u>	
Total Net Position	<u>\$ 11,673,407</u>	<u>\$ 11,362,134</u>

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

Athens Municipal Water Authority Changes in Net Position

REVENUES	Governmental Activities 2018	Governmental Activities 2017
Program revenues:		
Charges for services	\$ 246,047	\$ 231,331
Operating grants and contributions		
Capital grants and contributions		
Total Program Revenues	<u>246,047</u>	<u>231,331</u>
General revenues: Taxes:		
Property Taxes	832,820	820,498
Penalty and Interest	12,769	13,110
Miscellaneous Revenue	3,236	7,294
Investment Earnings	25,674	21,266
Sale of Capital Assets		0
Capital Asset Adjustment		0
Miscellaneous	7,200	0
Total General Revenue	<u>881,699</u>	<u>862,168</u>
	<u>1,127,746</u>	<u>1,093,499</u>
EXPENSES		
General Government	\$ 816,473	\$ 780,782
Total Expense	<u>816,473</u>	<u>780,782</u>
Increase in net assets before transfers	<u>311,273</u>	
Transfers		<u>312,717</u>
Change in net position	<u>311,273</u>	<u>312,717</u>
Net position October 1	<u>11,362,134</u>	<u>11,049,417</u>
Net position September 30	<u>\$ 11,673,407</u>	<u>\$ 11,362,134</u>

Governmental Activities. Governmental activities increased the Authority's net position by \$311,273 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 \$11,673,407. Approximately 25.9% 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, 2018, unassigned fund balance of the General Fund was \$2,287,699, while total fund balance reached \$5,310,070.

The General Fund's fund balance increased during the current fiscal year by \$420,059.

General Fund Budgetary Highlights

The General Fund budget was adopted as noted above.

BASIC FINANCIAL STATEMENTS

ATHENS MUNICIPAL WATER AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,292,998
Investments	1,987,372
Receivables (net of allowance for uncollectibles)	37,525
Prepaid Expenses	
Capital Assets:	
Land	1,628,032
Infrastructure, net	2,605,371
Buildings, net	1,103,742
Machinery and equipment, net	70,733
Major Repairs	405,678
Other Assets, net	<u>544,852</u>
Total Assets	<u>11,676,303</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to TCDRS	<u>12,943</u>
Total Deferred Outflows of Resources	<u>12,943</u>
LIABILITIES	
Accounts payable and other current liabilities	7,825
Net Pension Liability Related to TCDRS	<u>7,897</u>
Total Liabilities	<u>15,722</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to TCDRS	<u>117</u>
Total Deferred Inflows of Resources	<u>117</u>
NET POSITION	
Invested in capital assets, net of related debt	6,358,408
Restricted for capital improvements	3,022,371
Restricted for Pension - GASB 68	4,929
Unrestricted net position	<u>2,287,699</u>
Total Net Position	<u>\$ 11,673,407</u>

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

ATHENS MUNICIPAL WATER AUTHORITY
STATEMENT OF NET ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

				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	\$ 816,473	\$ 246,047	\$ 0	\$ (570,426)
Total Government Activities	<u>816,473</u>	<u>246,047</u>	<u>0</u>	<u>(570,426)</u>
General Revenues:				
Taxes:				
Property taxes levied for general purposes				832,820
Penalty and Interest				12,769
Miscellaneous revenue				10,436
Investment earnings				25,674
Total General Revenues				<u>881,699</u>
Change in Net Position				311,273
Net Position - Beginning				<u>11 362 134</u>
Net Position - Ending				<u>\$ 11,673,407</u>

See accompanying notes to financial statements.

ATHENS MUNICIPAL WATER AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
YEAR ENDED SEPTEMBER 30, 2018

	General Fund
ASSETS	
Cash and cash equivalents	\$ 3,292,998
Investments	1,987,372
Taxes receivable (Net of Allowance for Uncollectibles)	31,331
Other receivable (Net of Allowance for Uncollectibles)	6,194
Prepaid Expense	<u>0</u>
Total Assets	<u><u>\$ 5,317,895</u></u>
LIABILITIES	
Accounts payable	<u>\$ 7,825</u>
Total Liabilities	<u>7,825</u>
FUND BALANCES	
Committed:	
Construction	3,022,371
Unassigned:	
Reported in the general fund	<u>2,287,699</u>
Total Fund Balances	<u>5,310,070</u>
Total Liabilities and Fund Balances	<u><u>\$ 5,317,895</u></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, 2018

Total Fund Balances - Governmental Funds	\$ 5,310,070
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 \$9,857,666 and the accumulated depreciation was \$3,389,805. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase (decrease) net position.	6,467,861
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 2018 capital outlays is to increase (decrease) net position.	139,415
Capital asset adjustment.	0
The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(248,868)
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 2018 capital disposal or transfer is to increase (decrease) net position.	
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 \$(7,897), a deferred resource inflow in the amount of \$117, and a deferred resource outflow in the amount of \$12,943. This resulted in an increase/(decrease) in net position of \$4,929.	4,929
Net Position of Governmental Activities	\$ <u>11,673,407</u>

ATHENS MUNICIPAL WATER AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund
REVENUES	
Taxes:	
Property	\$ 832,820
Penalty and interest	12,769
Licenses and permits	183,314
Intergovernmental Revenue and Grants	0
Charges for services	62,733
Investment earnings	25,674
Rents and Royalties	7,200
Miscellaneous Income	<u>3,236</u>
Total Revenues	<u>1,127,746</u>
EXPENDITURES	
General government	568,272
Capital outlay	<u>139,415</u>
Total Expenditures	<u>707,687</u>
Excess (Deficiency of Revenues Over (Under) Expenditures	<u>420,059</u>
Net Change in Fund Balances	
Fund Balances - October 1 (Beginning)	<u>4,890,011</u>
Fund Balances - September 30 (Ending)	<u><u>\$ 5,310,070</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, 2018

Total Net Change in Fund Balances - Governmental Funds	\$ 420,059
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 2017 capital outlays is to increase (decrease) net position.	139,415
Capital asset adjustment.	
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.	(248,868)
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 2018 capital disposal or transfer is to increase (decrease) net position.	
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 12/31/17 caused the change in the ending net position to increase in the amount of \$6,231. 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 \$(5,720). The AMWA's reported TCDRS net pension expense had to be recorded. The net pension expense increased/decreased the change in net position by \$(156). The result of these changes is to increase/(decrease) the change in net position.	667
Change in Net Position of Governmental Activities	<u>\$ 311,273</u>

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2018

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, 2018. 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, 2018

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 TCDRS'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, 2018

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, 2018

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, 2018

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, 2018.
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, 2018

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	\$	\$ 1,628,032	
Buildings & Improvements	1,397,769	251,617	1,146,152	
Machinery & Equipment	263,438	167,960	95,478	
Infrastructure	5,566,264	2,905,961	2,660,303	
Major Repairs	481,995	64,267	417,728	
Construction in Progress	520,168		520,168	
Totals	<u>9,857,666</u>	<u>3,389,805</u>	<u>6,467,861</u>	
Change in Net Position				<u> </u>
Net Adjustment to Net Position				<u>\$ 6,467,861</u>

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2018

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	\$ 15,285	\$ 15,285	\$ 15,285
Buildings & Improvements			
Equipment			
Major Repairs			
Infrastructure	99,446	99,446	99,446
Construction in Progress	24,684	24,684	24,684
Total Capital Outlay	<u>139,415</u>	<u>139,415</u>	<u>139,415</u>
Total Adjustment to Net Position	<u>\$ 139,415</u>	<u>\$ 139,415</u>	<u>\$ 139,415</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	\$ 0	\$ 0	\$ 0
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2018

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, 2018.

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, 2018

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 2016-2017 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 \$5,301,492 and occurred on February 13, 2018. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$6,060,310. 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
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- 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, 2018, the amount of the Water Authority's cash balance in the checking account was \$3,292,998. The cash balance in interest bearing account was \$1,987,372.

INVESTMENTS

The Water Authority's investments at September 30, 2018, are shown below:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of Deposits	\$ 1,987,372	\$ 1,987,372	
Total Investments	<u>\$ 1,987,372</u>	<u>\$ 1,987,372</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, 2018

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, 2018, were as follows:

	Property Taxes	Other	Total Receivables
Governmental Activities:			
General Fund	\$ 31,331	\$ 6,160	\$ 37,491
Total - Governmental Activities	<u>31,331</u>	<u>6,160</u>	<u>37,491</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Payables at September 30, 2018, were as follows:

	Accounts Payable	Total Payable
Governmental Activities:		
General Fund	\$ 7,825	\$ 7,825
Total - Gov. Activities	<u>7,825</u>	<u>7,825</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ 0</u>	<u>\$ 0</u>

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2018

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the Water Authority for the year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
Nondepreciable Capital Assets				
Land	\$ 1,628,032	\$	\$	\$ 1,628,032
Construction in Progress	520,168	24,684		544,852
Subtotal Nondepreciable Assets	<u>2,148,200</u>	<u>24,684</u>	<u>0</u>	<u>2,172,884</u>
Depreciable Capital Assets				
Building & Improvements	1,397,769	15,285		1,413,054
Furniture & Equipment	263,438			263,438
Infrastructure	5,566,264	99,446		5,665,710
Major Repairs	481,995			481,995
Subtotal Depreciable Assets	<u>7,709,466</u>	<u>114,731</u>	<u>0</u>	<u>7,824,197</u>
Total at Historical Cost	<u>9,857,666</u>	<u>139,415</u>		<u>9,997,081</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	251,617	57,695		309,312
Furniture & Equipment	167,960	24,745		192,705
Infrastructure	2,905,961	154,378		3,060,339
Major Repairs	64,267	12,050		76,317
Total Accumulated Depreciation	<u>3,389,805</u>	<u>248,868</u>	<u>0</u>	<u>3,638,673</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,467,861</u>	<u>\$ (109,453)</u>	<u>\$ 0</u>	<u>\$ 6,358,408</u>

Depreciation expense was charged to governmental functions as follows:

General Government \$ 248,868

Total Depreciation Expense \$ 248,868

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2018

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	\$ 832,820	\$ 832,820
Penalties, Interest and Other Income	12,769	12,769
Licenses and Permits	183,314	183,314
Intergovernmental Revenue and Grants		
Charges for Services	62,733	62,733
Investment Revenue	25,674	25,674
Rents and Royalties	7,200	7,200
Miscellaneous Income	<u>3,236</u>	<u>3,236</u>
Total	<u>\$ 1,127,746</u>	<u>\$ 1,127,746</u>

G. LITIGATION

N/A

H. SUBSEQUENT EVENTS

N/A

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2018

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	(440,000)	
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>60,000</u>	
Total estimated amount	<u>\$ 1,225,500</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 three years.

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2018

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> </u>	\$ <u> </u>
Restricted:		
Federal Grants		
State Grants		
Other	<u> </u>	<u> </u>
Total Restricted	<u> </u>	<u> </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> </u>	<u> </u>
Unassigned	<u>2,287,699</u>	<u>2,287,699</u>
Total Fund Balances	<u><u>\$ 5,310,070</u></u>	<u><u>\$ 5,310,070</u></u>

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2018

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) TCDRS is a savings-based plan. For the district's plan, 7% of each employee's pay is deposited into his or her TCDRS 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 TCDRS Act. They may be amended as of January 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 TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the district and are currently 7%. Contributions to the pension plan from the district for 2017 are shown in the Schedule of Employer Contributions.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org.

Membership Information

<u>Members</u>	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2017</u>
Number of inactive employees entitled to but not yet receiving benefits:	0	0
Number of active employees:	3	3
Average monthly salary*:	4,672	\$ 4862
Average age*:	52.70	53.7
Average length of service in years*:	5.69	6.69
Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of benefit recipients:	1	1
Average monthly benefit:	26	\$ 26

*Averages reported for all active employees. They differ from the prior year's report, which included all active and inactive members. Average service includes all proportionate service.

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2018

Contributions

Employees for the AMWA were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the AMWA were 4.46% and 4.3% in calendar years 2017 and 2018, respectively. The AMWA's contributions to TCDRS for the year ended September 30, 2018 were \$8,035 and were equal to the required contributions.

K. RETIREMENT PLAN (continued)

Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/16	\$ 21,630	\$ 17,028	\$ 4,602
Changes for the year:			
Service cost	18,025		18,025
Interest	3,200		3,200
Change in benefit terms	0		0
Difference between expected/actual experience	4,385		4,385
Changes of assumptions	496		496
Contributions - employer		7,526	(7,526)
Contributions - employee		12,251	(12,251)
Net investment income		2,799	(2,799)
Benefit payments, including refunds of employee contributions	(311)	(311)	
Administrative expenses		(26)	26
Other charges		261	(261)
Net changes			
Balance at 12/31/17	<u>\$ 47,425</u>	<u>\$ 39,528</u>	<u>\$ 7,897</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 8.10% 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 (7.10%) or 1 percentage point higher (9.10%) 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	\$ 14,362	\$ 7,897	\$ 2,371

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2018

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, 2018 the AMWA recognized pension expense in the amount of \$8,035. At September 30, 2018 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)	\$ 6,240	\$
Changes in actuarial assumptions	472	
Differences between projected and actual investment earnings (net of current year amortization)		117
Contributions subsequent to the measurement date	<u>6,231</u>	
Total	<u>\$ 12,943</u>	<u>\$ 117</u>

The \$6,231 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, 2019. 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,	
2019	\$ 791
2020	791
2021	751
2022	647
2023	774
Thereafter	2,842

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2018

K. RETIREMENT PLAN (continued)

Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2017 funding valuation, except as noted below and throughout this report. Please see the Athens Municipal Water Authority December 31, 2017 Summary Valuation Report for further details.

Following are the key assumptions and methods used in this GASB analysis:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years,
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Athens Municipal Water Authority are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting anew projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED SEPTEMBER 30, 2018

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 2017 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, 2013 — December 31, 2016 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	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities - Developed	MSCI World Ex USA Index	11.00%	4.55%
International Equities - Emerging	MSCI World Emerging Markets (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

⁽¹⁾ Target asset allocation adopted at the April 2018 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95%, per Cliffwater's 2018 capital market assumptions.

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

⁽⁴⁾ Includes vintage year 2005-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ 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, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive or (Negative)
REVENUES				
Taxes:				
Property	\$ 826,758	\$ 826,758	\$ 832,820	\$ 6,062
Penalty and interest	10,000	10,000	12,769	2,769
Licenses and permits	173,925	173,925	183,314	9,389
Intergovernmental Revenue and Grants				
Charges for services	56,000	56,000	62,733	6,733
Investment earnings	22,000	22,000	25,674	3,674
Rents and Royalties	7,200	7,200	7,200	0
Miscellaneous Income			3,236	3,236
Total Revenue	<u>1,095,883</u>	<u>1,095,883</u>	<u>1,127,746</u>	<u>31,863</u>
EXPENDITURES				
General government	704,346	690,016	568,272	121,744
Capital outlay	<u>232,000</u>	<u>141,679</u>	<u>139,415</u>	<u>2,264</u>
Total Expenditures	<u>936,346</u>	<u>831,695</u>	<u>707,687</u>	<u>124,008</u>
Net Change in Fund Balance	159,537	264,188	420,059	155,871
Fund Balance October 1 (Beginning)	<u>4,890,011</u>	<u>4,890,011</u>	<u>4,890,011</u>	
Fund Balance - September 30 (Ending)	<u>\$ 5,049,548</u>	<u>\$ 5,154,199</u>	<u>\$ 5,310,070</u>	

ATHENS MUNICIPAL WATER AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2017	2016	2015
Total Pension Liability			
Service cost	\$ 18,025	\$ 11,766	3,525
Interest (on the total pension liability)	3,200	874	127
Changes of benefit terms		2,817	28
Difference between expected and actual experience	4,385	2,556	334
Change of assumptions	496		35
Benefit payments, including refunds of employee contributions	(311)	(52)	(381)
Net Change in Total Pension Liability	25,795	17,961	3,668
Total Pension Liability - Beginning	21,630	3,668	
Total Pension Liability - Ending (a)	\$ 47,425	\$ 21,629	3,668
Plan Fiduciary Net Position			
Contributions - employer	\$ 7,526	\$ 5,546	1,998
Contributions - employee	12,251	6,890	2,482
Net investment income	2,799	310	(35)
Benefit payments, including refunds of employee contributions	(311)	(52)	(381)
Administrative expense	(26)	(3)	(2)
Other	260	274	1
Net Change in Plan Fiduciary Net Position	22,499	12,965	4,063
Plan Fiduciary Net Position - Beginning	17,028	4,063	
Plan Fiduciary Net Position - Ending (b)	\$ 39,527	\$ 17,028	4,063
Net Pension Liability - Ending (a) - (b)	\$ 7,898	\$ 4,601	(395)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.35%	21.54%	110.77%
Covered Employee Payroll	\$ 181,670	\$ 175,334	179,288
Net Pension Liability as a Percentage of Covered Employee Payroll	4.35%	2.62%	-0.22%

ATHENS MUNICIPAL WATER AUTHORITY
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2018	2017	2016	\$	2015
Actuarially determined contribution	\$ 8,334	\$ 7,081	\$ 5,775		409
Contributions in relation to actuarially determined contribution	(8,334)	(7,081)	(5,775)		(409)
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$</u>	<u>0</u>
Covered employee payroll	\$ 181,674	\$ 175,334	\$ 179,289	\$	12,692
Contributions as a percentage of covered employee payroll	4.59%	4.04%	3.22%		3.22%

ATHENS MUNICIPAL WATER AUTHORITY
NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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	15.7 (based on contribution rate calculated in 12/31/2017 valuation)
Asset Valuation Method	5 years, smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%, net of investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflations, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: Employer contributions reflect that the member contribution rate was increased to 7%. Also, new Annuity Purchase Rates were reflected for benefits earned after 2017.

TEXAS SUPPLEMENTARY INFORMATION

ATHENS MUNICIPAL WATER AUTHORITY
SERVICES AND RATES
SEPTEMBER 30, 2018

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, 2018

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

Gallons pumped into system:	564,765,000	Water Accountability Ratio:
		(Gallons billed/Gallons pumped)
Gallons billed to customers:	564,765,000	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, 2018

Operating Expenses:

Payroll & Related	\$ 210,758
Travel & Training	614
Repair & Maintenance	30,682
Insurance	38,047
Miscellaneous	
Professional Fees:	
Auditing & Accounting	8,650
Other Professional Fees	14,622
Contracted Services:	
Interlocal Agreement	200,000
Appraisal	6,914
Tax Collector	17,058
Other Contracted Services	6,717
Utilities	16,391
Operating Supplies	16,978
Office Supplies	841
Capital Outlay	<u>139,415</u>
TOTAL EXPENDITURES	<u>\$ 707,687</u>

ATHENS MUNICIPAL WATER AUTHORITY
 TEMPORARY INVESTMENTS
 SEPTEMBER 30, 2018

<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	\$ 535,597	\$ 0
	CD#0650	1.10%	12/19/18	663,780	0
	CD#0608	0.80%	12/15/18	662,785	0
	CD#0541	0.55%	12/11/18	<u>660,806</u>	<u>0</u>
Total				<u>\$ 2,522,968</u>	<u>\$ 0</u>
Revenue Fund:					
	Checking	0.30%	Monthly	<u>\$ 2,757,610</u>	<u>\$ 0</u>
Total				<u>\$ 2,757,610</u>	<u>\$ 0</u>
Total - All Funds				<u><u>\$ 5,280,578</u></u>	<u><u>\$ 0</u></u>

ATHENS MUNICIPAL WATER AUTHORITY
TAXES LEVIED and RECEIVABLE
SEPTEMBER 30, 2018

	<u>Tax Fund</u>	<u>Other AMWA Taxes</u>
Taxes Receivable, Beginning of Year	\$ 37,385	\$ 0
2017 Original Tax Levy	837,956	0
(less Adjustments)	<u>(5,357)</u>	<u>0</u>
Total to be Accounted for	<u><u>869,984</u></u>	<u><u>0</u></u>
Tax Collections:		
Current Year	821,698	0
Prior Year	<u>15,306</u>	<u>0</u>
Total Collections	<u><u>837,004</u></u>	<u><u>0</u></u>
Taxes Receivable, End of Year	<u><u>\$ 32,980</u></u>	<u><u>\$ 0</u></u>

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Property Valuations	\$ 699,877,465	\$ 695,974,225	\$ 703,739,545	\$ 680,545,391
Tax Rates per \$100 Valuation:				
Maintenance & Operations	<u>.119729</u>	<u>.119729</u>	<u>.119729</u>	<u>.122173</u>
Total Tax Rate	<u><u>.119729</u></u>	<u><u>.119729</u></u>	<u><u>.119729</u></u>	<u><u>.122173</u></u>
Original Tax Levy	<u><u>\$ 837,956</u></u>	<u><u>\$ 833,283</u></u>	<u><u>\$ 842,580</u></u>	<u><u>\$ 831,443</u></u>
Percentage of Taxes Collected to Taxes Levied	<u><u>98.06%</u></u>	<u><u>96.99%</u></u>	<u><u>99.99%</u></u>	<u><u>99.99%</u></u>

ATHENS MUNICIPAL WATER AUTHORITY
REVENUE BONDS PAYABLE - BY YEARS
SEPTEMBER 30, 2018

N/A

ATHENS MUNICIPAL WATER AUTHORITY
CHANGES IN REVENUE BONDS PAYABLE
SEPTEMBER 30, 2018

N/A

ATHENS MUNICIPAL WATER AUTHORITY
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES - FIVE YEARS
FIVE YEARS ENDED SEPTEMBER 30, 2018

	Amounts				
	2018	2017	2016	2015	2014
Governmental Revenue:					
Property Taxes	\$ 832,820	\$ 820,498	\$ 835,577	\$ 821,899	\$ 821,600
Water Service	246,047	231,331	236,182	208,714	212,354
Penalties & Interest	12,769	13,110	9,259	15,275	14,115
Investment	25,674	21,266	19,401	22,253	24,012
Sale of Assets	2,500	0	0	500	495
Grants	0	0	0	0	586
Miscellaneous	7,936	7,294	1,515	29,921	24,651
Total Operating Revenues	1,127,746	1,093,499	1,101,934	1,098,562	1,097,813
Governmental Expense:					
Office Supplies	841	1,062	1,255	16,082	30
Operating Supplies	8,856	7,828	3,470	0	75
Repair & Maintenance Supplies	0	0	0	1,680	559
Small Tools & Equipment	2,913	2,342	60	0	0
Subscriptions, Books, Periodicals	874	1,028	701	0	536
Professional Services	4,957	18,029	22,988	78,373	294,112
Communication Expense	0	0	0	0	134
Travel & Training	614	474	1,150	482	0
Advertising	0	1,832	0	0	501
Payroll & Related	210,758	189,071	193,757	61,041	0
Other Contractual Services	3,915	0	1,200	7,244	206
Accounting & Audit Expense	8,650	9,400	9,400	7,350	4,500
Outside Legal Expense	12,972	0	0	38,173	6,259
Management Expense	0	0	0	0	30,000
Federal / State Licensing	1,650	0	0	0	208
Henderson County Collection	17,058	6,897	6,917	6,936	6,913
Appraisal Expense	6,913	17,304	24,081	15,392	13,801
Water Board Meeting Expense	0	0	0	0	0
Election Expense	0	0	5,945	0	4,138
Miscellaneous	1,745	24,441	17,443	6,255	0
Bad Debts Expense	0	156	0	0	0
Repair & Maintenance	30,682	50,188	135,794	113,299	10,591
Insurance Expense	38,047	30,196	25,641	14,434	12,680
Postage	436	424	537	0	0
Interlocal Agreement	200,000	200,000	200,000	330,000	0
Utilities	16,391	13,903	9,194	10,901	2,391
Inspection Expense	0	0	0	0	73,219
Capital Outlay	139,415	1,001,336	620,845	139,106	152,639
Net on Disposition	0	0	0	0	0
Total Expense	707,687	1,575,911	846,749	613,492	516,880
Excess Revenues Over (Under)					
Expenditures	\$ 420,059	\$ (482,412)	\$ (178,444)	\$ 251,813	\$ 484,321

	Amounts				
	2018	2017	2016	2015	2014
Governmental Revenue:					
Property Taxes	73.85%	75.03%	75.83%	74.81%	74.83%
Water Service	21.82%	21.16%	21.43%	19.00%	19.34%
Penalties & Interest	1.13%	1.20%	0.84%	1.39%	1.29%
Investment	2.27%	1.94%	1.76%	2.03%	2.19%
Sale of Assets	0.23%	0.00%	0.00%	0.05%	0.05%
Grants	0.00%	0.00%	0.00%	0.00%	0.05%
Miscellaneous	0.70%	0.67%	0.14%	2.72%	2.25%
Total Operating Revenues	100.00%	100.00%	100.00%	100.00%	100.00%
Governmental Expense:					
Office Supplies	0.06%	0.10%	0.11%	1.46%	0.00%
Operating Supplies	0.78%	0.72%	0.31%	0.00%	0.01%
Repair & Maintenance Supplies	0.00%	0.00%	0.00%	0.15%	0.05%
Small Tools & Equipment	0.26%	0.21%	0.01%	0.00%	0.00%
Subscriptions, Books, Periodicals	0.07%	0.09%	0.06%	0.00%	0.05%
Professional Services	0.44%	1.65%	2.09%	7.13%	26.79%
Communication Expense	0.00%	0.00%	0.00%	0.00%	0.01%
Travel & Training	0.05%	0.04%	0.10%	0.04%	0.00%
Advertising	0.00%	0.17%	0.00%	0.00%	0.05%
Payroll & Related	18.69%	17.29%	17.58%	5.59%	0.00%
Other Contractual Services	0.35%	0.00%	0.11%	0.66%	0.02%
Accounting & Audit Expense	0.77%	0.86%	0.85%	0.67%	0.41%
Outside Legal Expense	1.15%	0.00%	0.00%	3.47%	0.57%
Management Expense	0.00%	0.00%	0.00%	0.00%	2.73%
Federal / State Licensing	0.15%	0.00%	0.00%	0.00%	0.02%
Henderson County Collection	1.41%	0.63%	0.63%	0.63%	0.63%
Appraisal Expense	0.61%	1.58%	2.19%	1.40%	1.26%
Water Board Meeting Expense	0.00%	0.00%	0.00%	0.00%	0.00%
Election Expense	0.00%	0.00%	0.54%	0.00%	0.38%
Miscellaneous	0.13%	2.24%	1.58%	0.57%	0.00%
Bad Debts Expense	0.00%	0.01%	0.00%	0.00%	0.00%
Repair & Maintenance	2.72%	4.59%	12.32%	10.31%	0.96%
Insurance Expense	3.73%	2.76%	2.33%	1.31%	1.16%
Postage	0.04%	0.04%	0.05%	0.00%	0.00%
Interlocal Agreement	17.73%	18.29%	18.15%	30.04%	0.00%
Utilities	1.35%	1.27%	0.83%	0.99%	0.22%
Inspection Expense	0.00%	0.00%	0.00%	0.00%	6.67%
Capital Outlay	12.26%	91.57%	56.35%	12.66%	13.90%
Net on Disposition	0.00%	0.00%	0.00%	0.00%	0.00%
Total Expense	62.75%	144.11%	116.19%	77.08%	55.89%
Excess Revenues Over (Under) Expenditures	37.25%	-44.11%	-16.19%	22.92%	44.11%

ATHENS MUNICIPAL WATER AUTHORITY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2018

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	5/2018 - 5/2022	0	0	President
Ed Gatlin	5/2018 - 5/2022	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	\$	90,000
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Consultants:

Kugle, Skelton & Bennett PC	\$	14,622.00	Attorneys
Velvin & Weeks	\$	14,184.00	Engineers
Henderson County Tax Assessor	\$	17,058.00	Tax Collector
Smith, Lambright & Associates, P.C.	\$	8,650.00	Auditor
Henderson County Appraisal District	\$	6,913.00	Tax Assessor
Holdredge, Shaddox, & Habibelahian	\$	2,650.00	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, 2018 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 _____, 2019.

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.

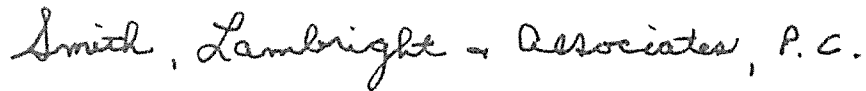
Compliance and Other Matters

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

February 8, 2019