

CITY OF ATHENS, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

CITY OF ATHENS, TEXAS
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 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

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

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

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

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

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

Independent Auditor's Report

City Council
City of Athens, Texas
508 East Tyler Street
Athens, Texas 75751

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Athens, Texas (the "City"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I to the financial statements, in 2015, the City adopted new accounting guidance prescribed by GASB Statement No. 68 for its pension plan - a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. Because GASB Statement No. 68 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements. Exhibit A-1 discloses the City's Net Pension Liability and some deferred resource outflows and deferred resource inflows related to the City's pension plan. Exhibit B-1 discloses the adjustment to the City's Beginning Net Position. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

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

Other Information

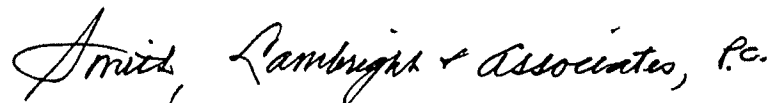
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The budgetary comparison schedule - general fund, combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2015 on our consideration of the City'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 City'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 & ASSOCIATES, P. C.
Certified Public Accountants
Athens, Texas

March 17, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ATHENS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management for the City of Athens, we offer readers of the City of Athens financial statements this narrative overview and analysis of the financial activities of the City of Athens for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the City's financial statements which begin on page 13. All amounts in this discussion and analysis, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The assets of the City of Athens exceeded its liabilities at September 30, 2015 by \$14,861,102. Of this amount, unrestricted net position of (\$727,698) created by the implementation of GASB 68. A positive unrestricted position may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position decreased by (\$7,630,743). Of this amount (\$5,946,350) was associated with governmental and (\$1,684,393) with business type activities. The major decreases were caused by the implementation of GASB 68 and the recording of pension liability in the government wide financial statements. Excluding GASB 68 adjustments, governmental funds net position would have increased \$1,206,749 and business type activities net position would have decreased (\$59,746).
- As of the close of the current fiscal year, the City of Athens governmental funds reported combined ending fund balances of \$6,539,853. This was an increase of \$899,322 in comparison with the prior year.
- Sales taxes increased with a .84% increase above prior years' actual. Actual receipts were above budget projections by approximately 1.16%.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was \$4,371,354. The City Council has currently restricted \$800,000 or 8.5% of total General Fund expenditures for emergency reserve. Council has also restricted \$200,000 for future capital improvements.
- Property tax values for 2014 tax rolls increased by \$18,765,465 (2.88%) compared to the prior tax year (2013).
- Property tax rate remained the same at .645140/\$100.

ATHENS CITY HALL

508 East Tyler St. • Athens, Texas 75751 • 903-675-5131 • FAX 903-675-7562

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Athens 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 City of Athens finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City'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 City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in 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 City 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 City of Athens include general government, public safety, parks and recreation, culture, community services, community development and other charges. The business type activities include Water and Sewer Operations.

The government-wide financial statements can be found on pages 13 through 14 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 City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Athens can be divided into two categories: governmental funds and proprietary funds.

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 City maintains 12 governmental funds. 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, Debt Service Fund and Capital Projects Fund, which are considered to be major funds. Data from the other nine funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Athens adopts an annual budget for its General Fund, Debt Service, Capital Projects and certain Special Revenue Funds. Budgetary comparison statements have been provided for the General Fund, Debt Service Fund and Capital Projects Fund to demonstrate compliance with this budget and are presented as required supplemental information.

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

Proprietary Funds

The City of Athens maintains one proprietary fund in the form of an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented in the proprietary statement of net position and the proprietary statement of revenues, expenses and changes in fund net position for the Utility fund which accounts for the City's water and sewer operations.

The basic proprietary fund financial statements can be found on pages 19 through 21 of this report.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 44 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, combining balance sheets for the other governmental funds, debt service schedules and miscellaneous statistical information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a governments financial position. As of September 30, 2015, the City's assets exceeded its liabilities by \$14,861,002. Due to the implementation of GASB 68 the City's investment in fixed assets exceeds it total net position (103.55%). This reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is 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.

City of Athens Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 7,267,663	\$7,044,606	\$ 3,024,412	\$ 2,919,222	\$10,292,075	\$ 9,963,828
Capital assets	7,406,646	7,622,858	13,617,506	14,211,861	21,024,152	21,834,719
Total Assets	<u>14,674,309</u>	<u>14,667,464</u>	<u>16,641,918</u>	<u>17,131,083</u>	<u>31,316,227</u>	<u>31,798,547</u>
Deferred Resource Outflow	999,102		219,910		1,219,012	
Long-term liabilities outstanding	10,706,295	3,353,154	5,646,830	4,282,019	16,353,125	7,635,173
Other liabilities	733,781	1,412,804	247,823	258,725	981,604	1,671,529
Total Liabilities	<u>11,440,076</u>	<u>4,765,958</u>	<u>5,894,653</u>	<u>4,540,744</u>	<u>17,334,729</u>	<u>9,306,702</u>
Deferred Resource Inflows	278,179		61,229		339,408	
Net Position:						
Invested in capital assets, net of related debt	5,581,734	5,455,091	9,807,506	9,976,300	15,389,240	15,431,391
Restricted	199,560	639,336		771,032	199,560	1,410,368
Unrestricted	(1,826,138)	3,807,079	1,098,440	1,843,007	(727,698)	5,650,086
Total Net Position	<u>\$ 3,955,156</u>	<u>\$9,901,506</u>	<u>\$10,905,946</u>	<u>\$12,590,339</u>	<u>\$14,861,102</u>	<u>\$22,491,845</u>

An additional portion of net position (.13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position would could normally may be used to meet the government's ongoing obligations to citizens and creditors. Due to GASB 68 the unrestricted portion is a negative (\$727,698). The following chart shows the revenue and expenses of the total primary government.

City of Athens Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program revenues:						
Charges for services	\$ 532,625	\$ 690,697	\$ 4,757,764	\$ 4,454,229	\$ 5,290,389	\$ 5,144,926
Operating grants and contributions	236,030	55,558	42,406	198,679	278,436	254,237
Capital grants and contributions					0	0
Total Program Revenues	<u>768,655</u>	<u>746,255</u>	<u>4,800,170</u>	<u>4,652,908</u>	<u>5,568,825</u>	<u>5,399,163</u>
General revenues:						
Taxes:						
Sales and use taxes	4,195,088	4,086,875			4,195,088	4,086,875
Property taxes	4,353,846	4,254,186			4,353,846	4,254,186
Franchise taxes	933,540	939,027			933,540	939,027
Unrestricted investment income	19,246	17,507	8,484	9,571	27,730	27,078
Donated Capital Assets					0	0
Miscellaneous	77,896	131,094			77,896	131,094
Premium on Bonds Sold			558	558	558	558
Gain(Loss) on sale of capital assets	(500)	(32,631)	1,772		1,272	(32,631)
Total General Revenue	<u>9,579,116</u>	<u>9,396,058</u>	<u>10,814</u>	<u>10,129</u>	<u>9,589,930</u>	<u>9,406,187</u>
Total Revenue	<u>10,347,771</u>	<u>10,142,313</u>	<u>4,810,984</u>	<u>4,663,037</u>	<u>15,158,755</u>	<u>14,805,350</u>
EXPENSES						
General	\$ 1,441,038	\$ 2,009,173			\$ 1,441,038	\$ 2,009,173
Public Safety:						
Police	2,956,896	2,873,467			2,956,896	2,873,467
Fire	2,502,053	2,591,153			2,502,053	2,591,153
Other	362,395	410,759			362,395	410,759
Public Services						
Highways, Streets and Airport	1,243,281	1,440,260			1,243,281	1,440,260
Health	374,544	378,463			374,544	378,463
Culture and Recreation	719,587	744,707			719,587	744,707
Conservation and Development					0	0
Interest on long-term debt	77,520	93,514			77,520	93,514
Water Utilities			4,199,879	4,085,475	4,199,879	4,085,475
Total Expense	<u>9,677,314</u>	<u>10,541,496</u>	<u>4,199,879</u>	<u>4,085,475</u>	<u>13,877,193</u>	<u>14,626,971</u>
Increase in net position before transfers	670,457	(399,183)	611,105	577,562	1,281,562	178,379
Transfers	650,000	980,607	(650,000)	(980,607)	0	0
Change in net position	1,320,457	581,424	(38,895)	(403,045)	1,281,562	178,379
Net position October 1	9,901,506	9,320,082	12,590,339	12,993,384	22,491,845	22,313,466
Prior Period Adjustment (GASB 68)	<u>\$ (7,266,807)</u>		<u>\$ (1,645,498)</u>		<u>\$ (8,912,305)</u>	
Net position September 30	<u>\$ 3,955,156</u>	<u>\$ 9,901,506</u>	<u>\$ 10,905,946</u>	<u>\$ 12,590,339</u>	<u>\$ 14,861,102</u>	<u>\$ 22,491,845</u>

Governmental Activities. Governmental activities decreased the City's net position by (\$5,946,350) accounting for (78) percent of the total decrease in net position. GASB 68 implementation was the major factor in the decrease. This was partially offset set by revenue exceeding expenses in the current year. Debt payment schedules and assets useful lives may differ slightly creating differences in the increases in accumulated depreciation and reductions in the related debt.

Business-type activities. Business type activities decreased the City's net position by (\$1,684,393) accounting for (22) percent of the net decrease in the government's net position. The decrease was mostly due to the implementation of GASB 68. Other factors included current year revenue shortfall and depreciation in excess of capital investment.

Financial Analysis of the Governments' Funds

Governmental Funds

The focus of the City of Athens governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City'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 City of Athens Governmental funds reported combined ending fund balances of \$6,539,853. Approximately 66.8% of this amount (\$4,371,354) constitutes unassigned fund balance.

The General Fund is the chief operating fund of the City. For the fiscal year ended September 30, 2015, unassigned fund balance of the General Fund was \$4,371,354, while total fund balance reached \$5,379,191.

The General Fund's fund balance increased during the current fiscal year \$583,362. Key factors in this increase are as follows:

- Net of allocation of prior year reserves, offset by excess revenues and under budget expenditures.
- Sales tax and Franchise fee revenue above budget.

Financial Highlights of the City's other major governmental funds are as follows:

The Debt Service Fund's fund balance increased by \$10,717 due to excess revenue over expenditures.

The Capital Projects Fund's fund balance decreased by (\$623). The decrease was due to spending of bond proceeds in excess of interest earnings.

Proprietary Funds

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the Utility Fund at the end of the year amounted to \$12,530,592. This was an decrease of (\$59,746). Factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The General Fund budget was increased by \$434,672 (net) from the original budget to the final budget (an increase of 4.44%). These increases in revenue and (expenses) can be summarized as follows:

- (319,176) City Administrator Dept. For Contract Payments
- (51,871) Storm Damage and Other Street Projects
- (59,592) for Legal Expenses
- (4,033) For Finance Dept. For Interim Pay and Small Tools

As noted earlier fund balance increased by \$583,362 due to excess revenues and under budget expenditures.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business type activities at September 30, 2015 amounts to \$21,024,152 (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 roads, sidewalks, water and sewer lines, water and wastewater treatment facilities. The total decrease in the City's investment in capital assets for the current fiscal year was \$810,566 (3.7%) net of accumulated depreciation.

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

Government Activities

- \$25,660 - 60 KW Gas Generator
- \$196,463 - 2015 Street Improvement Program
- \$9,975 - Sidewalks
- \$19,440 - 2015 ½ Ton Pickup
- \$16,848 - 2015 ½ Ton Pickup
- \$9,060 - 61" Scag Riding Mower
- \$163,910 - Police and Fire Vehicles and Equipment

Business Type Activities

- \$5,749 - Scag Zero Turn Mower
- \$20,586 - Pole Barn
- \$18,800 - 2015 ½ Ton Pickup
- \$6,923 - Scag Zero Turn Mower
- \$500,171 - First Time Sewer Infrastructure
- \$19,893 - 2015 ½ Ton Pickup
-

Additional information on the City's capital assets can be found in note 3 on pages 31 and 32 of this report.

Long-term Debt

At the end of the current fiscal year, the City had \$16,353,125 in outstanding debt consisting of general obligation bonds, certificates of obligation, capital leases, compensated absences payable post employment benefits and net pension liability. Additional information on the City's long term debt can be found in note G on pages 33 through 36.

Outstanding Debt at September 30, 2015

	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 800,000		\$ 800,000
Certificates of Obligation		\$ 3,810,000	3,810,000
Notes Payable			0
Capital Leases Payable	1,024,912		1,024,912
Compensated Absences Payable	986,339	48,813	1,035,152
Post Employment Benefits	21,022	4,689	25,711
Net Pension Liability	7,874,022	1,783,328	9,657,350
Total	<u>\$ 10,706,295</u>	<u>\$ 5,646,830</u>	<u>\$ 16,353,125</u>

Economic Factors and Next Year's Budgets and Rates

- Property tax values increase with the taxable valuations in 2016 increasing by (\$22,009,806). The property tax rate for 2015 was set at .645140 per \$100 valuation. (Same as prior year)
- Sales tax revenue increased above the previous year. Sales tax revenue were above the prior year by \$32,443 and above budget by \$44,242 in 2015. The 2016 budget anticipates a slight increase in sales tax revenue over the prior year. (\$3,844,643 vs \$3,812,647)
- All scheduled 2004 Bond Projects have been completed that were anticipated when bonds were sold. The City is now planning future projects to expend the remaining bond proceeds as well as interest earnings above any arbitrage payments.
- City adopted a 5 year water utility rate plan in 2015. Rate were increased approximately 30% depending on usage. The rate increase was necessary to accomplish capital improvements and maintain the water and wastewater systems.
- The City refinanced all outstanding bonded indebtedness in early FY 2016 with projected savings of approximately \$311,000.
- City Council reversed all previous committed amounts of Fund Balance in the General Fund and established a 60 day "financial reserve". The amount committed for FY 2016 is \$1,833,735.

Requests for Information

This financial report is designed to provide a general overview of the City of Athens finances for all of Athens residents, taxpayers, customers, investors and creditors. This report seeks to demonstrate the City'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 Office of the Director of Finance, 508 E. Tyler Athens, Texas 75751.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

CITY OF ATHENS, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Government Activities	Business-type Activities	Total	Component Unit
Assets				
Cash	\$ 4,314,277	\$ 1,468,623	\$ 5,782,900	\$ 978,021
Investments	14,865	8,821	23,686	798,261
Receivables (net of allowances for doubtful accounts):				
Ad valorem taxes	138,854		138,854	
Accounts	1,352,521	610,775	1,963,296	936,506
Due from other governments	16,621	8,536	25,157	
Internal balances	282,997	(282,997)	0	
Inventories	4,837	162,919	167,756	
Prepaid items	3,000	100	3,100	
Restricted assets:				
Cash	1,139,691	1,047,635	2,187,326	
Capital assets:				
Land	2,445,876	152,200	2,598,076	2,143,995
Buildings	8,210,918	820,027	9,030,945	1,881,605
Improvements other than buildings	7,073,335	24,518,460	31,591,795	869,100
Machinery and equipment	6,379,009	1,328,645	7,707,654	405,674
Amortizable assets	93,403	243,082	336,485	
Accumulated depreciation	(16,702,492)	(13,228,647)	(29,931,139)	(687,316)
Accumulated amortization	(93,403)	(216,261)	(309,664)	
Total Assets	<u>14,674,309</u>	<u>16,641,918</u>	<u>31,316,227</u>	<u>7,325,846</u>
Deferred Resource Outflow	<u>999,102</u>	<u>219,910</u>	<u>1,219,012</u>	<u>0</u>
Liabilities				
Accounts payable	550,799	34,285	585,084	251,657
Wages and salaries payable	174,850		174,850	
Accrued interest	5,971	31,693	37,664	
Payable to other governments	61		61	
Deposits	2,100	181,845	183,945	
Noncurrent liabilities:				
Due within one year	607,562	430,000	1,037,562	197,056
Due in more than one year	10,098,733	5,216,830	15,315,563	2,092,000
Total Liabilities	<u>11,440,076</u>	<u>5,894,653</u>	<u>17,334,729</u>	<u>2,540,713</u>
Deferred Resource Inflows	<u>278,179</u>	<u>61,229</u>	<u>339,408</u>	<u>0</u>
Net Position				
Invested in capital assets, net of related debt	5,581,734	9,807,506	15,389,240	2,552,058
Restricted for:				
Debt service	79,092		79,092	
Capital projects	120,259		120,259	
Other special purposes	209		209	
Unrestricted	<u>(1,826,138)</u>	<u>1,098,440</u>	<u>(727,698)</u>	<u>2,233,075</u>
Total Net Position	<u>\$ 3,955,156</u>	<u>\$ 10,905,946</u>	<u>\$ 14,861,102</u>	<u>\$ 4,785,133</u>

See accompanying notes to the financial statements.

Program Activities	Expenses	Program Revenues	
		Fees, Fines & Charges for Services	Operating Grants and Contributions
Government Activities			
General Government	\$ (1,441,038)	\$ 64,131	\$ 11,560
Police	(2,956,896)	383,659	10,035
Fire Protection	(2,502,053)		204,277
Other Public Safety	(362,395)		
Highways Streets and Airport	(1,243,281)	84,835	10,158
Health	(374,544)		
Culture and Recreation	(719,587)		
Interest on Long-term Debt	(77,520)		
Total Government Activities	<u>(9,677,314)</u>	<u>532,625</u>	<u>236,030</u>
Business-type Activities			
Utility Fund	<u>(4,199,879)</u>	<u>4,757,764</u>	<u>42,406</u>
Total Primary Government	<u>\$ (13,877,193)</u>	<u>\$ 5,290,389</u>	<u>\$ 278,436</u>
Component Unit:			
Athens Economic Development Corporation	<u>\$ (1,838,517)</u>	<u>\$ 59,253</u>	<u>\$ 0</u>

General Revenue

Taxes:

Property

Sales

Franchise

Investment Earnings

Miscellaneous

Premium on Bonds Sold

Gain (Loss) on Sale of Capital Assets

Transfers

Other

Total General Revenues, Transfers and Other

Changes in Net Position

Net Position at Beginning of Year

Prior Period Adjustment (GASB 68)

Net Position at End of Year

See accompanying notes to the financial statements.

CITY OF ATHENS, TEXAS
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

Net (Expenses) Revenue and Changes in Net Position			Component Unit AEDC
Government Activities	Business-type Activities	Total	
\$ (1,365,347)	\$	\$ (1,365,347)	\$
(2,563,202)		(2,563,202)	
(2,297,776)		(2,297,776)	
(362,395)		(362,395)	
(1,148,288)		(1,148,288)	
(374,544)		(374,544)	
(719,587)		(719,587)	
(77,520)		(77,520)	
(8,908,659)	0	(8,908,659)	0
	600,291	600,291	
\$ (8,908,659)	\$ 600,291	\$ (8,308,368)	\$ 0
\$	\$	\$	\$ (1,779,264)
\$ 4,353,846	\$	\$ 4,353,846	\$
4,195,088		4,195,088	1,285,618
933,540		933,540	
19,246	8,484	27,730	32,245
77,896		77,896	39,222
	558	558	
(500)	1,772	1,272	
650,000	(650,000)	0	
10,229,116	(639,186)	9,589,930	1,357,085
1,320,457	(38,895)	1,281,562	(422,179)
9,901,506	12,590,339	22,491,845	5,416,391
(7,266,807)	(1,645,498)	(8,912,305)	(209,079)
\$ 3,955,156	\$ 10,905,946	\$ 14,861,102	\$ 4,785,133

CITY OF ATHENS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 4,314,277	\$ 62,944	\$ 120,259	\$ 956,488	\$ 5,453,968
Investments - Current	14,865				14,865
Taxes Receivable (net of allow. for uncoll.)	116,851	22,003			138,854
Receivables (net of allowable for uncoll.)	1,352,355			166	1,352,521
Due from Other Governments	546			16,075	16,621
Intergovernmental Receivable	282,997				282,997
Due from Other Funds	15,173			13,224	28,397
Inventories	4,837				4,837
Prepaid Items	3,000				3,000
Total Assets	<u>\$ 6,104,901</u>	<u>\$ 84,947</u>	<u>\$ 120,259</u>	<u>\$ 985,953</u>	<u>\$ 7,296,060</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 550,860	\$	\$	\$	\$ 550,860
Wages and Salaries Payable	174,850				174,850
Due to Other Funds		5,855		22,542	28,397
Deposits Payable				2,100	2,100
Total Liabilities	<u>\$ 725,710</u>	<u>\$ 5,855</u>	<u>\$ 0</u>	<u>\$ 24,642</u>	<u>\$ 756,207</u>
Fund Balances:					
Non-spendable Fund Balance:					
Inventories and Prepaid Items	\$ 7,837	\$	\$	\$	\$ 7,837
Restricted Fund Balance:					
Capital Acquisition			120,259		120,259
Retirement of Long-term Debt		79,092			79,092
Other Restricted Funds				209	209
Committed Fund Balance:					
Emergency Reserve	800,000				800,000
Capital Acquisition	200,000				200,000
Assigned Fund Balance:					
Other Assigned Fund Balance				961,102	961,102
Unassigned Fund Balance	4,371,354				4,371,354
Total Fund Balances	<u>5,379,191</u>	<u>79,092</u>	<u>120,259</u>	<u>961,311</u>	<u>6,539,853</u>
Total Liabilities and Fund Balances	<u>\$ 6,104,901</u>	<u>\$ 84,947</u>	<u>\$ 120,259</u>	<u>\$ 985,953</u>	<u>\$ 7,296,060</u>

See accompanying notes to basic financial statements.

CITY OF ATHENS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Government Activities	Business-type Activities
Total Fund Balance - Total Governmental Funds	\$ 6,539,853	\$ 12,530,592
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital Assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	7,406,646	
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in Governmental Funds Balance Sheet.	(5,971)	
Included in the items related to debt is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$9,657,350, a Deferred Resource Inflow related to TMRS in the amount of \$339,408 and a Deferred Resource Outflow related to TMRS in the amount of \$1,219,012. This amounted to a decrease in Net Position.	(7,153,099)	(1,624,646)
Long-term liabilities are not due and payable in the current period and therefore, they are not reported in the Governmental Funds Balance Sheet.		
Due within one year	(607,562)	
Due in more than one year	(2,224,711)	
Net Position of governmental activities	\$ 3,955,156	\$ 10,905,946

See accompanying notes to basic financial statements.

CITY OF ATHENS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Property	\$ 3,655,628	\$ 623,904	\$	\$ 309,914	\$ 4,589,446
General Sales and Use	3,885,174				3,885,174
Franchise	933,540				933,540
Penalty and Interest	63,203	11,111			74,314
Licenses and Permits	32,615				32,615
Intergovernmental Revenues and Grants	40,550			20,193	60,743
Charges for Services	36,348			2,541	38,889
Fines	376,954			5,348	382,302
Investment Income	15,609	966	377	2,293	19,245
Rents and Royalties	1,516			45,946	47,462
Contributions & Donations from Private Sources	11,560			193,727	205,287
Other Revenue	74,547			4,707	79,254
Total Revenues	9,127,244	635,981	377	584,669	10,348,271
EXPENDITURES:					
Current:					
General Government	1,612,508			3,944	1,616,452
Public Safety:					
Police	2,893,812			9,060	2,902,872
Fire	2,398,065			27,678	2,425,743
Other	362,528				362,528
Public Works:					
Highways, Streets and Airport	815,780		1,000	27,713	844,493
Health	363,084				363,084
Conservation and Development					0
Culture and Recreation	490,749			210,408	701,157
Debt Service:					
Principal		547,956			547,956
Interest		77,521			77,521
Fiscal Agent Fees		1,128			1,128
Capital Outlay:					
Capital Outlay	461,015				461,015
Total Expenditures	9,397,541	626,605	1,000	278,803	10,303,949
Excess (Deficiency) of Revenues Over (Under) Expenditures	(270,297)	9,376	(623)	305,866	44,322
OTHER FINANCING SOURCES (USES):					
Non-Current Loans	205,000				205,000
Transfers In	650,000	1,341		10,290	661,631
Transfers Out (Use)	(1,341)			(10,290)	(11,631)
Total Other Financing Sources (Uses)	853,659	1,341	0	0	855,000
Net Change in Fund Balances	583,362	10,717	(623)	305,866	899,322
Fund Balance - October 1 (Beginning)	4,795,829	68,375	120,882	655,445	5,640,531
Fund Balance - September 30 (Ending)	<u>\$ 5,379,191</u>	<u>\$ 79,092</u>	<u>\$ 120,259</u>	<u>\$ 961,311</u>	<u>\$ 6,539,853</u>

The accompanying notes are an integral part of this statement.

CITY OF ATHENS, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Government-type Activities	Business-type Activities
Net change in fund balances - total governmental funds	\$ 899,322	\$ (59,747)
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Governmental funds report capital outlay as expenditures. However, in the government-wide Statement of Activities and Changes in Net Position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.</p>	461,015	
<p>Depreciation expense on capital assets is reported in the government-wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not expenditure in governmental funds.</p>	(676,756)	
<p>The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are unearned and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	523,668	
<p>The implementation of GASB 68 required that certain expenditures be expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2014 caused the change in the ending net position to increase. The City's proportionate share of the TMRS pension expense on the plan as a whole had to be recorded as an expense. This caused a decrease in the change in net position,. The impact of these amounts is to increase the change in net position.</p>	113,708	20,852
<p>Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the government funds.</p>		
Loss of Sale of Capital Assets		(500)
Change in Net Position of Governmental Activities	\$ 1,320,457	(38,895)

See accompanying notes to basic financial statements.

CITY OF ATHENS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR YEAR ENDED SEPTEMBER 30, 2015

ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,468,623
Investments - Current	8,821
Accounts Receivable - Net of Uncollectible Allowance	610,774
Intergovernmental Receivables	8,536
Inventories	162,919
Prepaid Items	100
Restricted Assets:	
Cash and Cash Equivalents	<u>1,047,635</u>
Total Current Assets	<u>3,307,408</u>
Non-Current Assets:	
Capital Assets:	
Work in Progress	
Land Purchase and Improvements	152,200
Buildings	820,027
Improvement Other Than Buildings	24,518,459
Machinery and Equipment	1,328,645
Amortizable Assets	243,082
Accumulated Depreciation	(13,228,647)
Accumulated Amortization	<u>(216,261)</u>
Total Non-Current Assets	<u>13,617,505</u>
Total Assets	<u>16,924,913</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	33,955
Accrued Interest Payable	31,693
Internal Balances	282,997
Certificates of Obligation Payable	430,000
Unearned Revenue	5,019
Deposits	<u>181,845</u>
Total Current Liabilities	<u>965,509</u>
Non-Current Liabilities	
Compensated Absences Payable	48,813
Certificates of Obligation Payable	<u>3,380,000</u>
Total Non-Current Liabilities	<u>3,428,813</u>
Total Liabilities	<u>4,394,322</u>
NET POSITION	
Investments in Capital Assets, Net of Debt	9,807,506
Restricted for Construction	1,011,891
Unrestricted Net Position	<u>1,711,195</u>
Total Net Position	<u>\$ 12,530,592</u>

See accompanying notes to basic financial statements.

CITY OF ATHENS, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2015

OPERATING REVENUES	
Charges for Water Services	\$ 2,240,001
Charges for Waste Water Services	1,957,294
Fees	118,711
Other Revenue	<u>443,526</u>
Total Operating Revenues	<u>4,759,532</u>
OPERATING EXPENSES:	
Personnel Services	1,695,253
Supplies	610,636
Contractual Services	1,003,822
Depreciation	691,144
Bad Debt Expense	<u>42,895</u>
Total Operating Expenses	<u>4,043,750</u>
Operating Income	<u>715,782</u>
NON-OPERATING REVENUES (EXPENSES):	
Investment Earnings	8,486
Interest Expense - Non-Operating	(175,800)
Fiscal Agent Fees	(1,179)
Premium on Bonds Sold	558
Grants	<u>42,406</u>
Total Non-Operating Revenue (Expenses)	<u>(125,529)</u>
Income Before Transfers	590,253
Transfers Out	<u>(650,000)</u>
Change in Net Position	(59,747)
Total Net Position - October 1 (Beginning)	<u>12,590,339</u>
Total Net Position - September 20 (Ending)	<u><u>\$ 12,530,592</u></u>

See accompanying notes to basic financial statements.

CITY OF ATHENS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2015

<u>Cash Flows From Operating Activities:</u>	
Cash Received From User Charges	\$ 4,382,733
Other Operating Revenues (uses)	443,526
Cash Payments to Employees for Services	(1,713,459)
Cash Payments to Suppliers	(1,835,029)
Net Cash Provided by Operating Activities	<u>1,277,771</u>
<u>Cash Flows from non-Capital Financing Activities:</u>	
Operating Transfers Out	(650,000)
Grants	42,406
Net Cash Provided by (Used for) Capital Financing Activities	<u>(607,594)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	(100,161)
Interest Paid on Bonds	(174,113)
Retirement of Bonds	(405,000)
Fiscal Agent Fees	(1,179)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(680,453)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>8,486</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,790)
Cash and Cash Equivalents at Beginning of the Year	<u>2,526,869</u>
Cash and Cash Equivalent at End of the Year	<u>\$ 2,525,079</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	\$ 715,782
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	691,144
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	60,902
Decrease (Increase) in Inventories	140,492
Increase (Decrease) in Accounts Payable	(9,794)
Increase (Decrease) in Internal Balances	(308,374)
Increase (Decrease) in Deposits	5,825
Increase (Decrease) in Compensated Absences	<u>(18,206)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,277,771</u>

See accompanying notes to basic financial statement.

CITY OF ATHENS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Athens, Texas (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The City applied all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements; in which case, GASB prevails.

Pensions. The fiduciary net position of the Texas Municipal Retirement System (TMRS) has been determined using the flow of economic resource 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 pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TMRS'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.

A. The Reporting Entity

The City of Athens, Texas is a political subdivision of the State of Texas. The City was incorporated in 1902 under the provisions of the State of Texas. The City operates under a council-manager form of government and provides the following services as authorized by its charter: public safety (police and fire, animal control and inspection), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services. Other services include utilities and airport operations.

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards include whether:

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

Based on the aforementioned criteria, the City of Athens, Texas has one component unit.

DISCRETELY PRESENTED COMPONENT UNIT:

ATHENS ECONOMIC DEVELOPMENT CORPORATION (AEDC) - The AEDC was authorized by the voters of Athens in an election on May 5, 1990. The corporation received its charter/certificate of authority on October 11, 1990, and immediately began operations. The AEDC is funded by a .5% sales tax. It also earns interest on funds temporarily invested pending expenditure on approved economic programs. The AEDC is separately managed and audited and issues its own financial statements. The City appoints directors and approves budgets.

Excluded from the reporting entity:

ATHENS MUNICIPAL WATER AUTHORITY - The Athens Municipal Water Authority (the Water Authority) was established by a special state act in 1958. The Water Authority's governing board (a separately elected board)

CITY OF ATHENS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

selects management staff, sets user charges, establishes budgets and controls all aspects of general management and production of water from the Water Authority except for water purchases and what it contracts with the City of Athens. Additionally, the City does not hold title to any of the Water Authority's assets, nor does it have any right to the Water Authority's surpluses.

CITY OF ATHENS HOUSING AUTHORITY - This is the Section 8 Housing Assistance Payments Program. This entity receives federal grant funds and administers a housing/rent subsidy program inside the city limits of Athens. This entity is subject to the City's control and oversight through the City Council and City Administrator's office, but is audited as a separate program based upon an understanding with the federal funding agency (HUD). This entity operates on a calendar year basis and has been audited in prior years by other auditors without being combined with the City of Athens. Consequently, an audit of this entity was not included in the Request for Proposal for performing the September 30, 2015 audit of the City.

B. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of government funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund -

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

Debt Service Fund -

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

CITY OF ATHENS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Capital Projects Fund -

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

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary fund:

Water and Sewer Fund -

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to assure integrity of the funds.

C. Measurement Focus/Basis of Accounting

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All governmental fund revenues are recognized when received.

CITY OF ATHENS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

D. Budgetary Control

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major funds. All annual appropriations lapse at fiscal year end.

Before the first regular meeting in August, the proposed budget is presented to the City's council for review. The City's council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City's manager.

Amendments have been made to the budget during the fiscal year.

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

E. Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities one year or less from the date of acquisition.

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

F. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

H. Restricted Assets

Certain assets of the City are classified as restricted assets because of ordinance or other legal restrictions such as funds set aside under provisions of bond covenants.

I. Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances."

CITY OF ATHENS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

J. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

The City allocates to the Proprietary funds an indirect cost percentage of information technology services and salaries and wages and related costs of personnel who perform administrative services for those funds but are paid through the General Fund along with other indirect costs deemed necessary for their operations. During the year ended September 30, 2015, the City allocated \$650,000 as a transfer for such services.

K. Capital Assets

Capital assets, which include property, plant and infrastructure assets, are reported in the applicable governmental or business type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	25
Machinery & Equipment	3-20
System Infrastructure	20-40
Vehicles	5-10
Office Equipment	5
Computer Equipment	5

L. Compensated Absences

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

M. Nature and Purpose of Reservation and Designations of Fund Equity

The fund equity reserves for revenue bond retirement and construction, prepaid items and debt service are discussed in notes 6, 1(F), and 1(B) respectively. The fund equity designation for subsequent years' expenditures primarily represents Capital Projects Fund Balances specifically identified for capital outlays.

CITY OF ATHENS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

N. Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

O. 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. Non-spendable 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 City Council. 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 City's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the City Council or by other officials to which the City Council has delegated the authority to assign amounts to be used for specific purposes. When it is appropriate for fund balance to be assigned, the City Council delegates the responsibility to assign funds to the City Managers 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 City will utilize funds in the following spending order: Restricted, Committed, Assigned and Unassigned.

CITY OF ATHENS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

P. Fund Balance

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

Fund Balance	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total
Nonspendable:					
Inventories & Prepaid	\$ 7,837	\$	\$	\$	\$ 7,837
Total Non-spendable	<u>7,837</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,837</u>
Restricted:					
Debt Service		79,092			79,092
Capital Projects			120,259		120,259
Other				209	209
Total Restricted	<u>0</u>	<u>79,092</u>	<u>120,259</u>	<u>209</u>	<u>199,560</u>
Committed:					
Emergency	800,000				800,000
Capital Items	200,000				200,000
Total Committed	<u>1,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,000,000</u>
Assigned:					
Other				961,102	961,102
Total Assigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>961,102</u>	<u>961,102</u>
Unassigned	<u>4,371,354</u>				<u>4,371,354</u>
Total Fund Balances	<u>\$ 5,379,191</u>	<u>\$ 79,092</u>	<u>\$ 120,259</u>	<u>\$ 961,311</u>	<u>\$ 6,539,853</u>

CITY OF ATHENS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

2. 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 City 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, and (9) bid solicitation preferences for certificates of deposit.

State statutes authorize the City 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 City has adopted an investment policy. The City is in substantial compliance with the requirements of the Act. The risks that the City may be subject are:

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

The funds of the City 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 City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. During 2014-2015 the City's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the City and held by the City's agent.

The largest, combined balances of cash, savings and time deposit accounts amounted to \$10,510,496 and occurred on February 18, 2015. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$10,924,345. 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 City 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.
- 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.

CITY OF ATHENS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

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, 2015, the amount of the City's cash balance accounts was \$7,970,226. The cash balance in interest bearing accounts was \$7,813,326.

INVESTMENTS

The City's investments at September 30, 2015, are shown below:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Time Deposits	\$ 7,970,226	7,970,226	.0833
TexPool	<u>23,686</u>	<u>23,686</u>	1.00009
Total Investments	<u>\$ 7,993,912</u>	<u>\$ 7,993,912</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 position 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.

For the purpose of the statement of cash flows for proprietary fund types, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

CITY OF ATHENS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

3. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance 10/01/14	Additions	Retirements	Adjustments	Balance 9/30/2015
Government Activities:					
Capital assets not being depreciated:					
Land	\$ 2,445,876	\$	\$	\$	\$ 2,445,876
Construction in progress	0				0
Total capital assets not being depreciated	<u>2,445,876</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,445,876</u>
Capital asset being depreciated:					
Buildings	8,210,918				8,210,918
Equipment	6,954,882	251,377	(733,846)		6,472,413
Improvements	2,057,133	9,876			2,067,009
Infrastructure	4,806,534	199,792			5,006,326
Total capital assets being depreciated	<u>22,029,467</u>	<u>461,045</u>	<u>(733,846)</u>	<u>0</u>	<u>21,756,666</u>
Less: accumulated depreciation for:					
Buildings	(7,331,555)	(61,291)			(7,392,846)
Equipment	(4,957,746)	(302,425)	733,346		(4,526,825)
Improvements	(1,572,056)	(69,368)			(1,641,424)
Infrastructure	(2,991,130)	(243,672)			(3,234,802)
Total accumulated depreciation	<u>\$(16,852,487)</u>	<u>\$(676,756)</u>	<u>\$ 733,346</u>	<u>\$ 0</u>	<u>\$(16,795,897)</u>
Total capital assets being depreciated, net	<u>5,176,980</u>	<u>(215,711)</u>	<u>(500)</u>	<u>0</u>	<u>4,960,769</u>
Governmental activities capital assets, net	<u>\$ 7,622,856</u>	<u>\$(215,711)</u>	<u>\$ (500)</u>	<u>\$ 0</u>	<u>\$ 7,406,645</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 152,200	\$	\$	\$	\$ 152,200
Construction in progress	491,151	21,845	(512,996)		0
Total capital assets not being depreciated	<u>643,351</u>	<u>21,845</u>	<u>(512,996)</u>	<u>0</u>	<u>152,200</u>
Capital assets being depreciated:					
Buildings	799,441	20,586			820,027
Equipment	1,325,435	55,256	(52,046)		1,328,645
Amortizable assets	243,082				243,082
Improvements	1,454				1,454
Infrastructure	24,004,009	512,996			24,517,005
Total capital asset being depreciated	<u>26,373,421</u>	<u>588,838</u>	<u>(52,046)</u>	<u>0</u>	<u>26,910,213</u>
Less: accumulated depreciation for:					
Buildings	(721,469)	(10,787)			(732,256)
Equipment	(1,065,027)	(53,501)	51,148		(1,067,380)
Amortizable assets	(211,790)	(4,471)			(216,261)
Improvements	(1,454)				(1,454)
Infrastructure	(10,805,172)	(622,385)			(11,427,557)
Total accumulated depreciation	<u>(12,804,912)</u>	<u>(691,144)</u>	<u>51,148</u>	<u>0</u>	<u>(13,444,908)</u>
Total capital assets being depreciated, net	<u>13,568,509</u>	<u>(102,306)</u>	<u>(898)</u>	<u>0</u>	<u>13,465,305</u>
Business-type activities capital assets, net	<u>\$ 14,211,860</u>	<u>\$(80,461)</u>	<u>\$(513,894)</u>	<u>\$ 0</u>	<u>\$ 13,617,505</u>

CITY OF ATHENS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

Governmental activities:	
General government and administration	\$ 39,217
Public safety	196,481
Public services	400,588
Culture and recreation	29,288
Health	11,183
Total depreciation expense-Governmental activities	<u>\$ 676,757</u>
Business-type activities:	
Water and sewer	<u>\$ 691,144</u>

4. Interfund Assets/Liabilities

The compositions of interfund balances as of September 30, 2015, is as follows:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Law Enforcement Grant	2,851
General	Community Improvement	4,365
General	Debt Service	5,855
General	Special Donations	1,425
General	Airport	677
Airport	Airport Grant	13,224
Total		<u>\$ 28,397</u>

5. Operating Leases

The City has entered into operating lease agreements for equipment. Commitments under the agreements provide for future rental payments as of September 30, 2015 as follows:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2016	\$ 18,642
2017	17,366
2018	4,768
2019	3,756
2020	144
Total	<u>\$ 44,676</u>

Rental expenditures in 2014-2015 were \$18,753.

CITY OF ATHENS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

6. Long-term Debt

A. Capital Leases Payable

The City has entered into lease agreements as lessee for the acquisition of a fire engine pumper, fire truck, street sweeper and police vehicles. These lease agreements qualify as capital leases for accounting purposes (as titles transfer at the end of the lease terms or bargain purchase options are present) and therefore have recorded at the present value of future minimum lease payments as of the date of their inception. The interest rates are 4.415%, 2.349% and 1.92% and 1.72%..

The following is a summary of changes in long-term debt for the capital leases for the year ended September 30, 2015:

	Balance 10/01/14	Issued	Retired	Balance 9/30/15
Fire Engine Pumper	\$ 127,116	\$	\$ 27,778	\$ 99,338
Fire Truck	737,068		84,785	652,283
Street Sweeper	133,583		36,360	97,223
Police Vehicles	0	205,000	28,931	176,069
	<u>\$ 997,767</u>	<u>\$ 205,000</u>	<u>\$ 177,854</u>	<u>\$ 1,024,913</u>

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

Fiscal Year Ending September 30	Principal	Interest	Total Requirement
2016	\$ 217,562	\$ 22,010	\$ 239,572
2017	228,551	16,876	245,427
2018	193,076	11,442	204,518
2019	93,082	8,018	101,100
2020	95,280	5,820	101,100
2021-2022	197,362	4,838	202,200
Total	<u>\$ 1,024,913</u>	<u>\$ 69,004</u>	<u>\$ 1,093,917</u>

B. Long-term Debt - Notes Payable

As of September 30, 2015 the City had no notes payable.

CITY OF ATHENS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

C. General Obligation Bonds Payable

The City issues general obligation bonds to provide funds for acquisition and construction of major capital facilities for general government activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

The following is a summary of changes in long-term debt for the general obligation bonds for the year ended September 30, 2015:

	<u>Balance 10/01/14</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 9/30/15</u>
General Obligation Improvement and Refunding Bonds				
Series 1998:	\$ 1,170,000	\$	\$ 370,000	\$ 800,000
Original issue \$5,060,000 with interest rates of 4.25% to 7.25%				
Totals	<u>\$ 1,170,000</u>	<u>\$ 0</u>	<u>\$ 370,000</u>	<u>\$ 800,000</u>

On November 12, 2015, the City of Athens refunded \$800,000 of General Obligation Bonds, Series 1998 with the issuance of City of Athens General Obligation Refunding Bonds, Series 2015. The bond repayment schedule for subsequent years is prepared based on the schedule of payments for new refunding bonds.

Debt service requirements for the General Refunding Bonds are as follows:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2016	\$ 411,000	\$ 4,151	\$ 415,151
2017	<u>413,000</u>	<u>3,304</u>	<u>416,304</u>
Total	<u>\$ 824,000</u>	<u>\$ 7,455</u>	<u>\$ 831,455</u>

Detailed debt service requirement data may be found in Table 2 in the Statistical Section of this report.

D. Revenue Bonds Payable

The City issues bonds whereby the City pledges income derived from the acquired or constructed assets to pay debt service.

As of September 30, 2015 the City had no revenue bonds outstanding.

CITY OF ATHENS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

E. Prior year Defeasance of Debt

In prior years, certain outstanding bonds were defeased by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the financial statements of the City of Athens. As of September 30, 2015, none of the general obligation bonds considered defeased are still outstanding.

F. Certificates of Obligation

On April 10, 2000, the City issued \$2,000,000 of Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2000. Proceeds from the sale of the Certificates will be used to pay for improvements and extensions to the City's combined Waterworks and Sanitary Sewer System, including wastewater treatment and collection facilities, and to pay for professional services rendered in relation to the project, including the payment of costs related to the issuance of the Certificates.

On October 15, 2004 the City issued \$5,500,000 of Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2004. Proceeds from the sale of the Certificates will be used for (1) the construction of public works, to wit, improvements and extensions to the City's combined Waterworks and Sanitary Sewer System, including wastewater treatment and collection facilities, and (2) to pay for professional services rendered in relation to the project, including the payment of costs related to the issuance of the Certificates.

The following is a summary of changes in long term debt for the Certificates of Obligation for the year ended September 30, 2015:

	Balance 10/01/14	Issued	Retired	Balance 9/30/15
Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2000	\$ 940,000	\$	\$ 135,000	\$ 805,000
Tax and Utility System Surplus Revenue Certificates of Obligations, Series 2004	3,275,000		270,000	3,005,000
	\$ 4,215,000	\$ 0	\$ 405,000	\$ 3,810,000

On November 12, 2015, the City of Athens refunded \$805,000 of Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2000 and \$3,005,000 of Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2004 with the issuance of City of Athens General Obligation Refunding Bonds, Series 2015. The bond repayment schedule for subsequent years is prepared based on the schedule of payments for the new refunding bonds.

Debt service requirements for the General Obligation Refunding Bonds, Series 2015 are as follows::

Fiscal Year Ending September 30	Principal	Interest	Total Requirement
2016	\$ 509,000	\$ 37,483	\$ 546,483
2017	487,000	49,046	536,046
2018	495,000	45,150	540,150
2019	500,000	40,200	540,200
2020	510,000	34,200	544,200
2021 - 2024	1,420,000	71,980	1,491,980
Total	\$ 3,921,000	\$ 278,059	\$ 4,199,059

Detailed debt service requirement data may be found in Table 3 and Table 4 in the Statistical Section of this report.

CITY OF ATHENS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

G. Changes in Long-term Liabilities

Long-term liabilities activity for the year ended September 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable					
General Obligation Bonds	\$ 1,170,000	\$ _____	\$ 370,000	\$ 800,000	\$ 390,000
Capital Leases Payable:					
Vehicles and Equipment	997,767	205,000	177,855	1,024,912	217,562
Compensated Absences	1,132,467	12,427	158,555	986,339	
Post Employment Benefits	52,920		31,898	21,022	
Net Pension Liability		7,874,022		7,874,022	
Total Governmental Activities Long-term Liabilities	<u>\$ 3,353,154</u>	<u>\$ 8,091,449</u>	<u>\$ 738,308</u>	<u>\$ 10,706,295</u>	<u>\$ 607,562</u>
Business Type Activities:					
Bonds Payable:					
Certificates of Obligation	\$ 4,215,000	\$ _____	\$ 405,000	\$ 3,810,000	\$ 430,000
Compensated Absences	57,569		8,756	48,813	
Post Employment Benefits	9,450		4,761	4,689	
Net Pension Liability		1,783,328		1,783,328	
Total Business Type Activities Long-term Liabilities	<u>\$ 4,282,019</u>	<u>\$ 1,783,328</u>	<u>\$ 418,517</u>	<u>\$ 5,646,830</u>	<u>\$ 430,000</u>

CITY OF ATHENS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

7. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

B. Segment Information - Enterprise Funds

The City maintains one enterprise fund. The City accounts for the provision of basic utility service to all citizens through its Water and Sewer fund. Selected segment information for the year ended September 30, 2015 is as follows:

Operating Revenues	\$ 4,760,093
Depreciation Expense	691,144
Operating Income	716,343
Operating Transfers (Out)	(650,000)
Change in Net Position	(59,745)
Fixed Asset Additions	97,687
Net Working Capital (Deficiency)	2,341,899
Total Assets	16,956,820
Total Net Position	12,530,594
Certificates of Obligation Payable	3,810,000

CITY OF ATHENS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

C: Defined Benefit Pension Plans

Plan Description

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

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms

At December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits - 62

Inactive employees entitled to but not yet receiving benefits - 38

Active employees - 117

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law government TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 20.86% and 21.33% in calendar years 2014 and 2015 respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$1,392,371, and were equal to the required contribution

CITY OF ATHENS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

C: Defined Benefit Pension Plans (Continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The TPL in the December 31, 2014 actuarial valuation was determined using the following actual assumptions:

Inflation year per	3.0%
Overall payroll growth	3.0%
Investment Rate of Return	7.0%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 100% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial Assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 01, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF ATHENS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

C: Defined Benefit Pension Plans (Continued)

Major Asset Class	Target Allocation Rates	Best Estimates of Arithmetic Real Rates
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

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

CITY OF ATHENS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/13	\$ 31,149,019	\$ 21,032,890	10,116,129
Changes for the year:			
Service cost	999,695		999,695
Interest	2,170,306		2,170,306
Change in benefit terms			0
Difference between expected/actual experience	(414,587)		(414,587)
Changes of assumptions	-		0
Contributions - employer		1,341,520	(1,341,520)
Contributions - employee		454,813	(454,813)
Net investment income		1,203,399	(1,203,399)
Benefit payments, including refunds of employee contributions	(1,289,000)	(1,289,000)	0
Administrative expenses		(12,562)	12,562
Other charges		(1,033)	1,033
Net changes	1,466,414	1,697,137	(230,723)
Balance at 12/31/14	<u>32,615,433</u>	<u>22,730,027</u>	<u>9,885,406</u>

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.0% as well as what the City's net pension liability would have been if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percent higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	Increase in Discount Rate (8.0%)
City's net pension liability	\$ 14,741,233	\$ 9,885,406	\$ 5,931,816

This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.

Pension Plan Fiduciary Net Position

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

CITY OF ATHENS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

C: Defined Benefit Pension Plans (Continued)

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

For the year ended September 30, 2015 the City recognized pension expense in the amount of \$1,237,083.

At September 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 215,122	\$ 339,408
Changes in actuarial assumptions	\$ -	\$ -
Differences between projected and actual investment earnings (net of current year amortization)	\$ -	\$ -
Contributions subsequent to the measurement date	<u>\$ 1,003,890</u>	<u>\$ -</u>
Total	<u>\$ 1,219,012</u>	<u>\$ 339,408</u>

\$1,003,890 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, 2015. 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	\$	(21,398)
2016	\$	(21,398)
2017	\$	(21,398)
2018	\$	(21,400)
2019	\$	(38,692)
Thereafter	\$	-

CITY OF ATHENS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

D. Life Insurance Benefits Plan

Plan Description

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

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

Contributions

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

The City’s contributions to the TMRS SDBF for the year ended 2014, 2013, and 2012, were \$1,883, \$1,859, and \$1,823, respectively, which equaled the required contributions each year.

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

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2012	0.03%	0.03%	100.0%
2013	0.03%	0.03%	100.0%
2014	0.03%	0.03%	100.0%

9. EXPENDITURES OF FEDERAL AND STATE AWARDS

A “Single Audit” of Federal Grant Awards under Circular A-133 was not required for the fiscal year ended September 30, 2015.

A “Single Audit” of State of Texas Grant Award Programs was not required by the State of Texas Single Audit Circular for the fiscal year ended September 30, 2015.

10. LITIGATION

The City of Athens resolved the suit by the Athens Water Authority by a new contract with the Authority.

CITY OF ATHENS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

11. SUBSEQUENT EVENT

On November 12, 2015, the City of Athens refunded \$800,000 of General Obligation Bonds, Series 1998, \$805,000 of Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2000, and \$3,005,000 of Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2004 with the issuance of \$4,745,000 of City of Athens General Obligation Refunding Bonds Series 2015.

The bond repayment schedules for subsequent years are prepared based on the schedule of payments for the new refunding bonds.

12. PRIOR PERIOD ADJUSTMENT

During fiscal year 2015, the City adopted *GASB Statement No. 68 Accounting and Reporting for Pensions*. With GASB 68, the City must assume their proportionate share of the Net Pension Liability of the Texas Municipal Retirement System. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is \$9,121,384. The restated beginning net position is \$10,116,129.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ATHENS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2015

	Airport Fund	Hotel Tax Fund	Law Enforcement Grant	Airport Grant Fund	Special Donations Fund
ASSETS					
Cash and Cash Equivalents	\$ 227,210	\$ 439,305	\$	\$	\$ 249,435
Receivables (net of allowance for uncollectibles)	166				
Intergovernmental Receivables			2,851	13,224	
Infrastructure - WIP					
Due from Other Funds	13,224				
Total Assets	<u>\$ 240,600</u>	<u>\$ 439,305</u>	<u>\$ 2,851</u>	<u>\$ 13,224</u>	<u>\$ 249,435</u>
LIABILITIES AND FUND BALANCES					
Due to Other Funds	\$ 677	\$ 4,365	\$ 2,851	\$ 13,224	\$ 1,425
Deposits	2,100				
Total Liabilities	<u>\$ 2,777</u>	<u>\$ 4,365</u>	<u>\$ 2,851</u>	<u>\$ 13,224</u>	<u>\$ 1,425</u>
FUND BALANCES					
Restricted Fund Balance:					
Capital Acquisition					
Other Restricted Fund Balance					
Assigned Fund Balance:					
Other Assigned Fund Balance	237,823	434,940	0	0	248,010
Total Fund Balances	<u>237,823</u>	<u>434,940</u>	<u>0</u>	<u>0</u>	<u>248,010</u>
Total Liabilities and Fund Balances	<u>\$ 240,600</u>	<u>\$ 439,305</u>	<u>\$ 2,851</u>	<u>\$ 13,224</u>	<u>\$ 249,435</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A

Homeland Security Fund	Energy Grants Fund	Municipal Court Technology Fund	Local Forfeited Cash	Total Nonmajor Governmental Funds
\$	\$ 209	\$ 10,126	\$ 30,203	\$ 956,488
				166
				16,075
				13,224
<u>0</u>	<u>\$ 209</u>	<u>\$ 10,126</u>	<u>\$ 30,203</u>	<u>\$ 985,953</u>
\$	\$	\$	\$	\$ 22,542
				2,100
<u>0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 24,642</u>
				209
	209	10,126	30,203	961,125
<u>0</u>	<u>209</u>	<u>10,126</u>	<u>30,203</u>	<u>961,334</u>
<u>0</u>	<u>\$ 209</u>	<u>\$ 10,126</u>	<u>\$ 30,203</u>	<u>\$ 985,976</u>

CITY OF ATHENS, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON- MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Airport Fund	Hotel Tax Fund	Law Enforcement Grant	Airport Grant Funds	Special Donations Fund
REVENUES:					
Taxes:					
General Sales and Use Taxes	\$	\$ 309,914	\$	\$	\$
Intergovernmental Revenue and Grants			7,139	10,158	2,896
Charges for Services	2,541				
Fines					
Investment Earnings	716	1,216			252
Rents and Royalties	45,946				
Miscellaneous Revenue	809				2,540
Contributions & Donation from Private Sources					193,727
Total Revenues	50,012	311,130	7,139	10,158	199,415
EXPENDITURES:					
Current:					
General Government					
Public Safety - Police			7,139		1,921
Public Safety - Fire					27,678
Public Works:					
Highways and Streets	7,265			20,448	
Conservation and Development					
Culture and Recreation		210,408			
Debt Service:					
Principal					
Interest					
Capital Outlay:					
Capital Outlay					
Total Expenditures	7,265	210,408	7,139	20,448	29,599
Excess (Deficiency) of Revenues Over (Under) Expenditures	42,747	100,722	0	(10,290)	169,816
OTHER FINANCING SOURCES (USES):					
Transfers In				10,290	
Transfers Out (Use)	(10,290)				
Total Other Financing Sources(Uses)	(10,290)	0	0	10,290	0
Net Change in Fund Balance	32,457	100,722	0	0	169,816
Fund Balance - October 1 (Beginning)	205,366	334,218	0	0	78,194
Fund Balance - September 30 (Ending)	\$ 237,823	\$ 434,940	\$ 0	\$ 0	\$ 248,010

The accompanying notes are an integral part of this statement.

Homeland Security Fund	Energy Grants Fund	Municipal Court Technology Fund	Local Forfeited Cash	Total Nonmajor Governmental Funds
	\$	\$	\$	\$
				309,914
				20,193
				2,541
		5,348		5,348
		19	90	2,293
				45,946
			1,358	4,707
				193,727
0	0	5,367	1,448	584,669
		3,944		3,944
				9,060
				27,678
				27,713
				210,408
0	0	3,944	0	278,803
0	0	1,423	1,448	305,866
				10,290
				(10,290)
0	0	0	0	0
0	0	1,423	1,448	305,866
	209	8,703	28,755	655,445
0 \$	209 \$	10,126	\$ 30,203	\$ 961,311

CITY OF ATHENS, TEXAS
COMBINING BALANCE SHEET
PROPRIETARY FUNDS
SEPTEMBER 30,2015

	Water/Sewer Bond Projects Fund	Utilities Fund	TDCP- First Time Sewer Fund	Total Proprietary Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,047,635	\$ 1,468,623	\$	\$ 2,516,258
Investments - Current		8,821		8,821
Accounts Receivable Net of Uncoll. Allow.		610,774		610,774
Intergovernmental Receivables		31,904		31,904
Due from Other Governments		8,536		8,536
Inventories		162,919		162,919
Prepaid Items		100		100
Restricted Assets:				
Cash and Cash Equivalents				0
Total Current Assets	<u>1,047,635</u>	<u>2,291,677</u>	<u>0</u>	<u>3,339,312</u>
Non-Current Assets:				
Capital Assets:				
Land Purchase and Improvements		152,200		152,200
Buildings		820,027		820,027
Improvement other than Buildings		24,518,459		24,518,459
Machinery and Equipment		1,328,645		1,328,645
Amortizable Assets		243,082		243,082
Accumulated Depreciation		(13,374,937)		(13,374,937)
Accumulated Amortization		(69,971)		(69,971)
Total Non-Current Assets	<u>0</u>	<u>13,617,505</u>	<u>0</u>	<u>13,617,505</u>
Total Assets	<u>\$ 1,047,635</u>	<u>\$ 15,909,182</u>	<u>\$ 0</u>	<u>\$ 16,956,817</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 3,841	\$ 30,103	\$	\$ 33,944
Accrued Interest Payable		31,693		31,693
Internal Balances	31,904	283,008		314,912
Certificates of Obligation Payable		430,000		430,000
Unearned Revenue		5,019		5,019
Deposits		181,845		181,845
Total Current Liabilities	<u>35,745</u>	<u>961,668</u>	<u>0</u>	<u>997,413</u>
Non-Current Liabilities				
Compensate Absences Payable		48,813		48,813
Certificates of Obligation Payable		3,380,000		3,380,000
Total Non-Current Liabilities	<u>0</u>	<u>3,428,813</u>	<u>0</u>	<u>3,428,813</u>
Total Liabilities	<u>\$ 35,745</u>	<u>\$ 4,390,481</u>	<u>\$ 0</u>	<u>\$ 4,426,226</u>
NET POSITION				
Invested in capital assets, net of related debt	\$	\$ 9,807,505	\$	\$ 9,807,505
Restricted for:				
Capital Projects	1,011,890			1,011,890
Other Special Purposes				0
Unrestricted		1,711,196		1,711,196
Total Net Position	<u>\$ 1,011,890</u>	<u>\$ 11,518,701</u>	<u>\$ 0</u>	<u>\$ 12,530,591</u>

CITY OF ATHENS, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Water/Sewer Bond Projects Fund	Utilities Fund	TDCP- First Time Sewer Fund	Total Proprietary Funds
Operating Revenues:				
Charges for Water Services	\$	\$ 2,240,001	\$	\$ 2,240,001
Charges for Waste Water Services		1,957,294		1,957,294
Fees		118,711		118,711
Other Revenue		443,526		443,526
Total Operating Revenue	<u>0</u>	<u>4,759,532</u>	<u>0</u>	<u>4,759,532</u>
Operating Expenses:				
Personal Services		1,695,253		1,695,253
Supplies		610,636		610,636
Contractual Services		1,003,822		1,003,822
Depreciation		691,144		691,144
Bad Debt Expense		42,895		42,895
Total Operating Expenses	<u>0</u>	<u>4,043,750</u>	<u>0</u>	<u>4,043,750</u>
Operating Income	<u>\$ 0</u>	<u>\$ 715,782</u>	<u>\$ 0</u>	<u>\$ 715,782</u>
Non-Operating Revenues (Expenses):				
Investment Earnings	\$ 3,189	\$ 5,297	\$	\$ 8,486
Interest Expenses-Non-operating		(175,800)		(175,800)
Fiscal Agent Fees		(1,179)		(1,179)
Premium on Bonds Sold		558		558
Grants			42,406	42,406
Total Non-operating Revenues (Expenses)	<u>3,189</u>	<u>(171,124)</u>	<u>42,406</u>	<u>(125,529)</u>
Income Before Transfers	3,189	544,658	42,406	590,253
Transfers In(Out)	213,457	(374,673)	(488,784)	(650,000)
Change in Net Position	<u>\$ 216,646</u>	<u>\$ 169,985</u>	<u>\$ (446,378)</u>	<u>\$ (59,747)</u>
Total Net Position - October 1, (Beginning)	<u>\$ 795,245</u>	<u>\$ 11,348,716</u>	<u>\$ 446,378</u>	<u>\$ 12,590,339</u>
Total Net Position	<u>\$ 1,011,891</u>	<u>\$ 11,518,701</u>	<u>\$ 0</u>	<u>\$ 12,530,592</u>

The accompanying notes are an integral part of this statement.

CITY OF ATHENS, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variances With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property	\$ 3,749,291	\$ 3,749,291	\$ 3,655,628	\$ (93,663)
General Sales and Use	3,840,842	3,840,842	3,885,174	44,332
Franchise	924,419	924,419	933,540	9,121
Penalty and Interest	45,000	45,000	63,203	18,203
Licenses and Permits	32,590	32,590	32,615	25
Intergovernmental Revenues and Grants	43,532	43,532	40,550	(2,982)
Charges for Services	35,500	35,500	36,348	848
Fines	192,200	192,200	376,954	184,754
Investment Income	12,000	12,000	15,609	3,609
Rents and Royalties	900	900	1,516	616
Contributions & Donations from Private Sources	11,000	11,000	11,560	560
Other Revenue	10,041	10,041	74,547	64,506
Total Revenues	<u>8,897,315</u>	<u>8,897,315</u>	<u>9,127,244</u>	<u>229,929</u>
EXPENDITURES:				
Current:				
General Government	1,427,984	1,427,984	1,612,508	(184,524)
Public Safety:				
Police	3,228,063	3,228,063	2,893,812	334,251
Fire	2,484,682	2,484,682	2,398,065	86,617
Other	395,698	395,698	362,528	33,170
Public Works:				
Highways and Streets	814,179	814,179	815,780	(1,601)
Health	418,039	418,039	363,084	54,955
Culture and Recreation	547,626	547,626	490,749	56,877
Capital Outlay:				
Capital Outlay	459,772	459,772	461,015	(1,243)
Total Expenditures	<u>9,776,043</u>	<u>9,776,043</u>	<u>9,397,541</u>	<u>378,502</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>(878,728)</u>	<u>(878,728)</u>	<u>(270,297)</u>	<u>608,431</u>
OTHER FINANCING SOURCES (USES):				
Non-current Loans			205,000	205,000
Transfers In	650,000	650,000	650,000	0
Transfers Out (Use)	(2,851)	(2,851)	(1,341)	1,510
Total Other Financing Sources (Uses)	<u>647,149</u>	<u>647,149</u>	<u>853,659</u>	<u>206,510</u>
Net Change in Fund Balances	(231,579)	(231,579)	583,362	814,941
Fund Balance - October 1 (Beginning)	<u>4,795,829</u>	<u>4,795,829</u>	<u>4,795,829</u>	<u>0</u>
Fund Balance - September 30 (Ending)	<u>\$ 4,564,250</u>	<u>\$ 4,564,250</u>	<u>\$ 5,379,191</u>	<u>\$ 814,941</u>

The accompanying notes are an integral part of this statement.

CITY OF ATHENS, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property	\$ 631,095	\$ 640,095	\$ 623,905	\$ (16,190)
Penalty and Interest	8,000	8,000	11,111	3,111
Investment Income	<u>702</u>	<u>702</u>	<u>966</u>	<u>264</u>
Total Revenues	<u>639,797</u>	<u>648,797</u>	<u>635,982</u>	<u>(12,815)</u>
EXPENDITURES:				
General Government:				
Debt Service:				
Principal	590,071	590,071	547,956	42,115
Interest	81,825	81,825	77,520	4,305
Fiscal Agent Fees	<u>700</u>	<u>700</u>	<u>1,128</u>	<u>(428)</u>
Total Expenditures	<u>672,596</u>	<u>672,596</u>	<u>626,604</u>	<u>45,992</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,799)	(23,799)	9,378	33,177
OTHER FINANCING SOURCES (USES)				
Transfers In			<u>1,341</u>	<u>(1,341)</u>
Net Change in fund Balances	(32,799)	(23,799)	10,719	31,836
Fund Balance - October 01 (Beginning)	<u>77,590</u>	<u>77,590</u>	<u>68,375</u>	<u>0</u>
Fund Balance - September 30 (Ending)	<u>\$ 44,791</u>	<u>\$ 53,791</u>	<u>\$ 79,094</u>	<u>\$ 31,836</u>

See accompanying notes to the basic financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF ATHENS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	2014
Total Pension Liability	
Service Cost	\$ 999,695
Interest (on total pension liability)	2,170,306
Changes of benefit terms	-
Difference between expected and actual experience	(414,587)
Change of assumptions	-
Benefit payments, including refunds of employees contributions	(1,289,000)
Net Change in Total Pension Liability	1,466,414
Total Pension Liability - Beginning	31,149,019
Total Pension Liability - Ending (a)	\$ 32,615,433
 Plan Fiduciary Net Position	
Contributions - employer	\$ 1,341,520
Contributions - employee	454,813
Net investment income	1,203,399
Benefit payments, including refunds of employee contributions	(1,289,000)
Administration expense	(12,562)
Other	(1,033)
Net Change in Plan Fiduciary Net Position	1,697,137
Plan Fiduciary Net Position - Beginning	21,032,890
Plan Fiduciary Net Position - Ending (b)	\$ 22,730,027
Net Pension Liability - Ending (a) - (b)	\$ 9,885,406
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.69%
Covered Employee Payroll	\$ 6,487,050
Net Pension Liability as a Percentage of Covered Employee Payroll	152.39%

CITY OF ATHENS
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Actuarially determined contribution	\$	1,330,962
Contributions in relation to actuarially determined contribution		<u>(1,330,962)</u>
Contribution deficiency (excess)	\$	<u>0</u>
Covered employee payroll	\$	6,276,805
Contributions as a percentage of covered employee payroll		21.21%

The accompanying note on the next page is an integral part of this statement.

CITY OF ATHENS
NOTES TO SCHEDULE OF CONTRIBUTIONS (SCHEDULE H)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table based on rates that are specific to the City-s plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	There were no benefit changes during the year.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

SMITH, LAMBRIGHT & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

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

Independent Auditor's Report

City Council
City of Athens, Texas
508 East Tyler Street
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, the business-type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended September 30, 2015 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 17, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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.

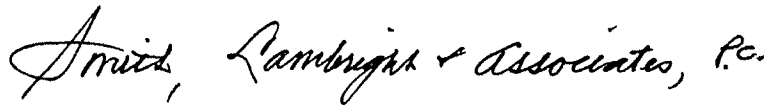
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 AND ASSOCIATES, P. C.
Certified Public Accountants
Athens, Texas

March 17, 2016

STATISTICAL SECTION

TABLE 1

CITY OF ATHENS, TEXAS
 TAX LEVIES AND TAX COLLECTIONS
 LAST TEN FISCAL YEARS
 SEPTEMBER 30, 2015
 UNAUDITED

<u>Year of Levy</u>	<u>Adjusted City Tax Levy</u>	<u>Collections to September 30, 2015</u>	<u>Percentage of Total Collections to Adjusted Levy</u>
2005	1,747,353	1,743,392	100
2006	2,278,403	2,272,124	100
2007	2,469,898	2,402,753	100
2008	2,622,686	2,615,729	100
2009	2,946,236	2,932,080	100
2010	3,263,140	3,253,350	100
2011	3,483,041	3,454,459	99
2012	3,804,103	3,738,443	99
2013	4,042,455	3,948,118	99
2014	4,195,356	4,112,908	98
2015			
	<u>\$ 30,852,671</u>	<u>\$ 30,473,356</u>	

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

CITY OF ATHENS, TEXAS
 SCHEDULE OF GENERAL OBLIGATION BONDS
 AND INTEREST REQUIREMENTS
 AT SEPTEMBER 30, 2015

General Obligation Refunding Bonds, Series 2015 (Refunding of Series 1998)				
Requirements for Fiscal Year Ended	Annual Rate	Principal	Interest	Total Requirements
9-30-16	1.567%	411,000	4,151	415,151
9-30-17	1.567%	413,000	3,304	416,304
TOTAL		\$ 824,000	\$ 7,455	\$ 831,455

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

CITY OF ATHENS, TEXAS
 SCHEDULE OF GENERAL OBLIGATION REFUNDING BONDS
 AND INTEREST REQUIREMENTS
 AT SEPTEMBER 30, 2015

General Obligation Refunding Bonds, Series 2015 (Refunding of Series 2000)				
Requirements for Fiscal Year Ended	Annual Rate	Principal	Interest	Total Requirements
9-30-16	1.567%	167,000	6,026	173,026
9-30-17	1.567%	161,000	7,374	168,374
9-30-18	1.567%	165,000	6,086	171,086
9-30-19	1.567%	169,000	4,436	173,436
9-30-20	1.567%	172,000	2,408	174,408
TOTAL		\$ 834,000	\$ 26,330	\$ 860,330

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

CITY OF ATHENS, TEXAS
 SCHEDULE OF GENERAL OBLIGATION REFUNDING BONDS
 AND INTEREST REQUIREMENTS
 AT SEPTEMBER 30, 2015

General Obligation Refunding Bonds, Series 2015 (Refunding of Series 2004)				
Requirements for Fiscal Year Ended	Annual Rate	Principal	Interest	Total Requirements
9-30-16	1.567%	342,000	31,457	373,457
9-30-17	1.567%	326,000	41,672	367,672
9-30-18	1.567%	330,000	39,064	369,064
9-30-19	1.567%	331,000	35,764	366,764
9-30-20	1.567%	338,000	31,792	369,792
9-30-21	1.567%	345,000	27,060	372,060
9-30-22	1.567%	350,000	21,540	371,540
9-30-23	1.567%	355,000	15,240	370,240
9-30-24	1.567%	370,000	8,140	378,140
TOTAL		\$ 3,087,000	\$ 251,729	\$ 3,338,729

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

CITY OF ATHENS, TEXAS
 MISCELLANEOUS STATISTICAL DATA AND OTHER INFORMATION
 SEPTEMBER 30, 2015
 UNAUDITED

Date of Incorporation	1902	
Date City Charter Adopted	December, 1966	
Form of City Government	Council - Administrator	
City Council	Jerry Don Vaught, Mayor Tres Winn, Monte Montgomery, Charles Elliott, Joe Whatley	
Other Officials	City Manager - Philip Rodriguez Assistant City Manager & Director of Finance/Technology - David Hopkins, CPA City Secretary - Bonnie Hambrick Community Development Manager - Thanasis Kombs Chief of Police - Michael Hill Fire Chief - John McQueary Director of Development - Amy Williams Director of Human Resources - Janet Melacon City Judge - Steven R. Green City Attorney - Blake Armstrong	
City Area	19.6 Square Miles	
Miles of Streets	Paved	100
	Graded	2
Fire Protection	Number of Stations	2
	Number of Employees	27
Police Protection	Number of Stations	1
	Number of Policemen	34
Education	Community College	1
	High School	1
	Middle School	2
	Elementary School	4
Hospital	East Texas Medical Center - Athens	
Number of City Employees	122	
Population	<u>Years</u>	<u>Federal Census</u>
	1920	3 176
	1930	4 342
	1940	4 765
	1950	5 194
	1960	7 086
	1970	9 553
	1980	10 197
	1990	10 818
	2000	11 297
	2010	12 710