

CITY OF ATLANTA, TEXAS
BASIC FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2015

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CITY OF ATLANTA, TEXAS

CITY OFFICIALS

KEITH CROW
MAYOR

CHRIS E. COLLINS, SR.
COUNCIL MEMBER, DISTRICT 1

ARLIE KYZER
COUNCIL MEMBER, DISTRICT 2

JAMES O'KELLEY
COUNCIL MEMBER, DISTRICT 3

DEAN MCDUFF
COUNCIL MEMBER, DISTRICT 4

ROBERT STEGER
COUNCIL MEMBER, AT LARGE

DAVID COCKRELL
CITY MANAGER



HOLLIDAY, LEMONS & COX, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members of the City Council and
Honorable Keith Crow, Mayor
City of Atlanta, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Atlanta, Texas as of and for the year ended September 30, 2015, 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 did not audit the financial statements of the Atlanta Firefighters' Relief and Retirement Fund, a fiduciary fund of the City of Atlanta, Texas as of and for the year ended December 31, 2014 (latest report available). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Firefighter's Relief and Retirement Fund, is based solely on the report of the other auditors. 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

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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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Atlanta, Texas as of September 30, 2015, and the respective changes in financial position, and, where applicable cash flows thereof and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 and the pension fund trend information on pages 75 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operations, 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 of Atlanta, Texas's basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2016 on our consideration of the City of Atlanta, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Atlanta, Texas' internal control over financial reporting and compliance.



April 14, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Atlanta, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2015.

FINANCIAL HIGHLIGHTS

- The assets of the City of Atlanta, Texas exceeded its liabilities at the close of the most recent fiscal year by \$12,027,638 (net position). Of this amount, \$8,169,047 is invested in capital assets, net of related debt, \$1,553,800 (restricted) may be used for debt service, court security and technology, cemetery maintenance, library trust, public facilities, economic development and tourism with \$2,304,791 (unrestricted). The remaining balance may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by \$737,408.
- As of the close of the current fiscal year, the City of Atlanta, Texas' governmental funds reported combined ending fund balances of \$2,814,113 (\$1,420,961 is unassigned and available for use within the City's designation and policies).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's 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's 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 City's net position changed during the fiscal year. All changes in net position are reported when 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 the future fiscal periods (e.g., uncollected taxes earned but unused and compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from 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 include administration, police, fire, public facilities and public works. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City of Atlanta, Texas itself (known as the primary government), but also the legally separate Atlanta City Development Corporation, and legally separate Atlanta Economic Development Corporation for which the City of Atlanta, Texas is financially

accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 the 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 governmental funds and governmental activities.

The City maintains fifteen governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. Data from the other fourteen funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds – The City maintains one type of proprietary fund. The Enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City’s various functions. The City does not utilize internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, since it is considered to be a major fund of the City.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Atlanta, Texas’ own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government’s financial position. In the case of the City of Atlanta, Texas, assets exceeded liabilities by \$12,027,638 as of September 30, 2015. The City’s investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, office furniture and equipment, vehicles and construction in progress) reflects 68%, (\$8,169,047), of net position, less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending.

Although the City’s investment in its 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. Presented below are comparable columns in the various comparisons and analyses to the prior year.

CITY OF ATLANTA, TEXAS' NET POSITION

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Total</i>	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 3,710,117	3,314,774	1,696,852	2,282,121	5,406,969	5,596,895
Capital assets	3,270,364	3,380,580	12,639,046	12,255,161	15,909,410	15,635,741
Total assets	6,980,481	6,695,354	14,335,898	14,537,282	21,316,379	21,232,636
Deferred outflows of resources	186,720		424,037	462,583	610,757	462,583
Long-term liabilities	1,971,033	1,483,750	7,111,672	7,694,024	9,082,705	9,177,774
Other liabilities	545,674	405,542	268,802	357,674	814,476	763,216
Total liabilities	2,516,707	1,889,292	7,380,474	8,051,698	9,897,181	9,940,990
Deferred inflows of resources	1,579		738		2,317	
Net position:						
Net invested in capital assets	2,187,136	2,116,584	5,981,911	5,085,016	8,169,047	7,201,600
Restricted	1,148,183	1,115,400	405,617	995,555	1,553,800	2,110,955
Unrestricted	1,313,596	1,574,078	991,195	867,596	2,304,791	2,441,674
Total net position	4,648,915	4,806,062	7,378,723	6,948,167	12,027,638	11,754,229

An additional portion of the City’s net position represents resources that are subject to restriction on how they may be used. Both the governmental activity and the business-type activity’s balance of unrestricted net position, \$2,304,791, allows the City to meet the government’s ongoing obligation to citizens and creditors.

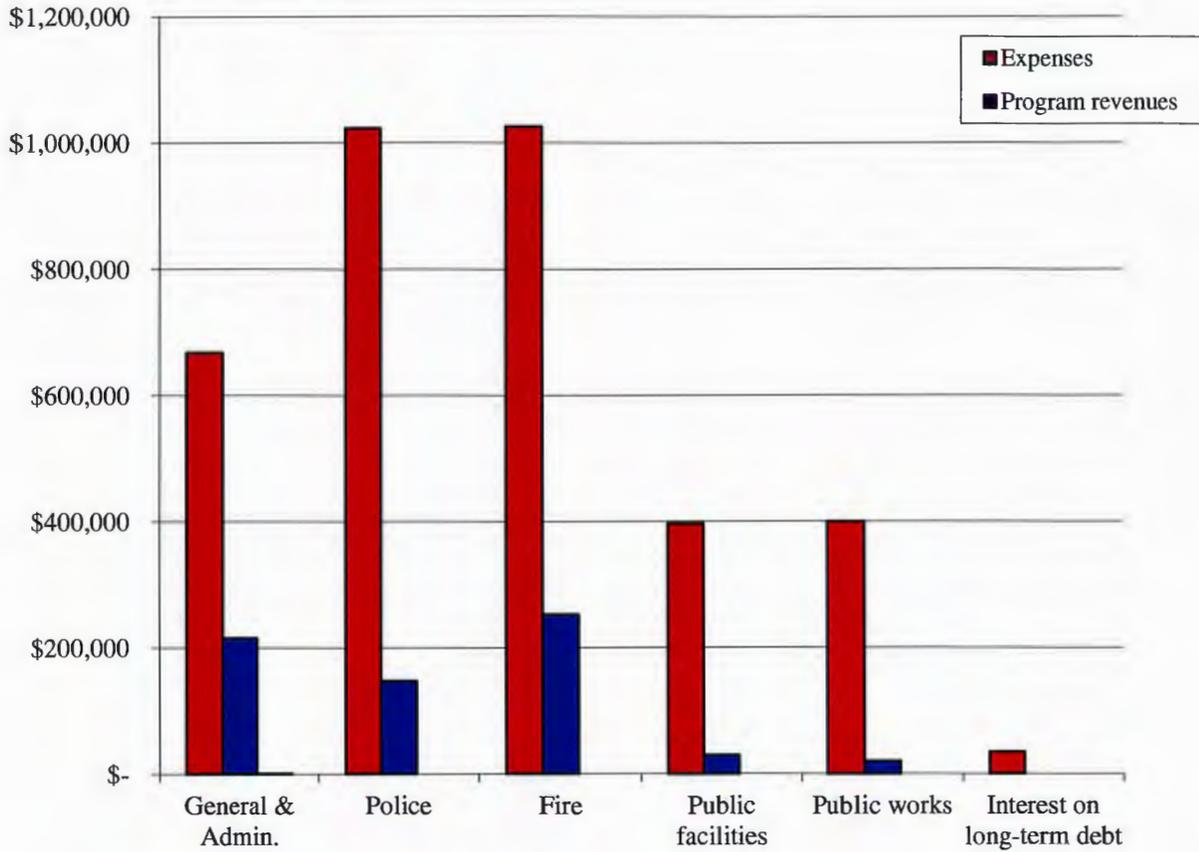
At September 30, 2015, the City is able to report positive balances in all three categories of net position for its governmental activities and in all three categories for its business-type activities.

Analysis of the City’s Operations – The following table provides a summary of the City’s operations for the year ended September 30, 2015. Governmental activities increased the City’s net position by \$335,272. Business-type activities increased the City’s net position by \$402,136.

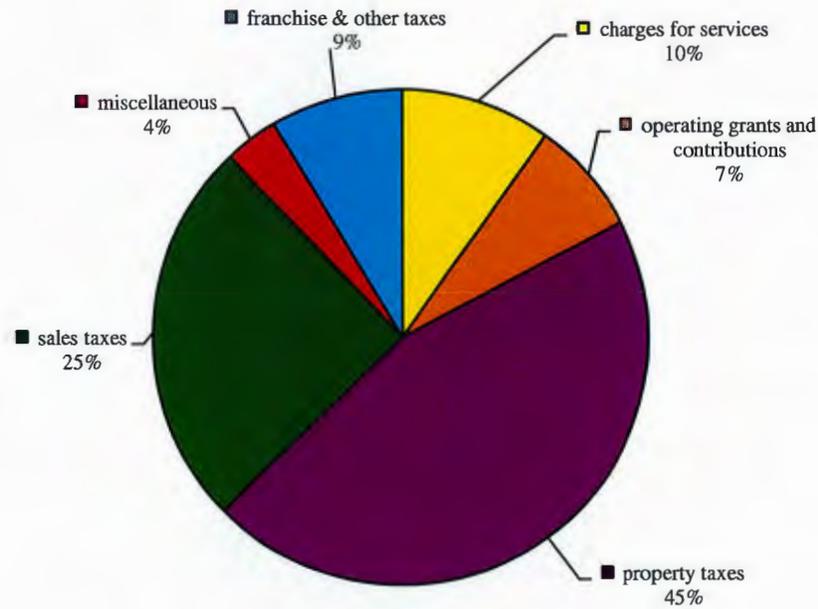
CITY OF ATLANTA, TEXAS' CHANGES IN NET POSITION

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Total</i>	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 379,814	297,270	3,194,603	2,961,861	3,574,417	3,259,131
Operating grants and contributions	284,587	437,953			284,587	437,953
Capital grants and contributions	-	-			-	-
General revenues:						
Property taxes	1,735,203	1,665,067			1,735,203	1,665,067
Sales tax	971,035	940,713			971,035	940,713
Franchise taxes	240,359	240,299			240,359	240,299
Other taxes	85,961	79,522			85,961	79,522
Investment earnings	25,972	74,888	2,493	1,112	28,465	76,000
Miscellaneous	107,749	83,950			107,749	83,950
Total revenues	3,830,680	3,819,662	3,197,096	2,962,973	7,027,776	6,782,635
Expenses:						
General and administrative	667,587	788,921			667,587	788,921
Police	1,023,671	1,028,603			1,023,671	1,028,603
Fire	1,026,116	993,874			1,026,116	993,874
Public facilities	396,301	359,129			396,301	359,129
Public works	399,746	331,116			399,746	331,116
Interest on long-term debt	34,476	43,555			34,476	43,555
Water and sewer			2,742,471	2,716,648	2,742,471	2,716,648
Total expenses	3,547,897	3,545,198	2,742,471	2,716,648	6,290,368	6,261,846
Change in net position before transfer	282,783	274,464	454,625	246,325	737,408	520,789
Transfers	52,489	(10,196)	(52,489)	10,196	-	-
Change in net position	335,272	264,268	402,136	256,521	737,408	520,789
Net position - beginning	4,313,643	4,541,794	6,976,587	6,691,646	11,290,230	11,233,440
Net position - ending	4,648,915	4,806,062	7,378,723	6,948,167	12,027,638	11,754,229

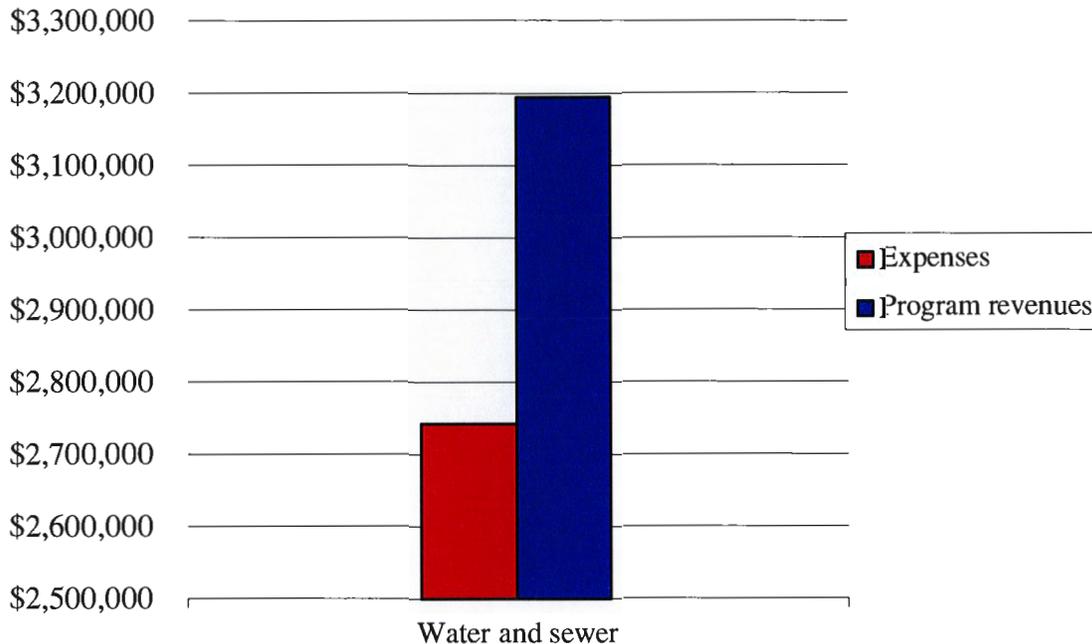
Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



Expenses and Program Revenues – Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds – The focus of the City of Atlanta, Texas' 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, unassigned 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 Atlanta, Texas' governmental funds reported combined ending fund balances of \$2,814,113. Approximately 50% of this total amount (\$1,420,961) constitutes unassigned fund balance.

The remainder of the fund balance is reserved or designated to indicate that is not available for new spending because it has already been 1) restricted to provide debt service, court technology and security, community development and tourism (\$428,234); 2) committed to provide for parks (\$95,179); 3) assigned to provide for public safety, cemetery and library (\$162,406); and 4) non-spendable for permanent principal (\$603,657), forgivable loans receivable and noncurrent loans receivable (\$103,676).

In the General fund, the City budgeted no change in fund balance in its final budget. Due to actual revenues being more than budgeted and actual expenses being less than budgeted, the actual fund balance increased for fiscal year 2015 by \$197,571.

Proprietary funds – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position in respective proprietary funds have a balance of \$991,195. The proprietary funds had a net position increase in 2015 of \$402,136.

General Fund Budgetary Highlights

The City made several revisions to the original appropriations approved by the City Council. The City's overall budgeted revenue and expenditures increased by the same.

Capital Assets

The City of Atlanta, Texas' investment in capital assets for its governmental and business-type activities as of September 30, 2015 amounts to \$15,909,410 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery and equipment, office furniture and equipment, vehicles and construction in progress. Major capital asset events during the current fiscal year included the following:

- The City constructed a new Airport roadway totaling \$7,873.
- The Police Department purchased three (3) new vehicles totaling \$80,399.
- The Public Works Department began construction on the ball park parking lot totaling \$60,935.
- The Water Department purchased two (2) 2015 Ford F-250 Pickup Trucks and completed construction on the Highway 77 Utility Relocation Project totaling \$589,109.
- The Sewer Department purchased a sewer machine, mower and deck crane, constructed a 6" waterline on Timber Ridge, made improvements to Country Place Lift Station and began construction of Holly Street sewer extension project totaling \$160,218.
- The Hotel/Motel Tax Fund repaired the parking lot of the Mattie Lanier Richey Center totaling \$20,400.
- Atlanta City Development Corporation purchased a storage building, Christmas lights and new condenser units totaling \$44,872.

CITY OF ATLANTA, TEXAS' CAPITAL ASSETS (net of depreciation)

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Total</i>	
	2015	2014	2015	2014	2015	2014
Land	\$ 453,099	453,099	70,399	70,399	523,498	523,498
Construction in progress	60,935		17,318	120,811	78,253	120,811
Buildings	844,001	890,855	62,951	65,892	906,952	956,747
Infrastructure	27,972				27,972	
Improvements other than buildings	1,351,074	1,493,312	12,279,901	11,875,303	13,630,975	13,368,615
Machinery and equipment	275,659	333,822	118,814	70,016	394,473	403,838
Vehicles	257,624	209,492	89,663	52,740	347,287	262,232
Total	3,270,364	3,380,580	12,639,046	12,255,161	15,909,410	15,635,741

Additional information on the City of Atlanta, Texas' capital assets can be found in Note 5 in this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Atlanta, Texas had a total bonded debt of \$7,951,808. Of this amount, \$1,063,000 comprises bonded debt backed by the full faith and credit of the government and \$6,888,808 represents bonds secured solely by water and sewer revenues.

**CITY OF ATLANTA, TEXAS' OUTSTANDING DEBT
Certificates of Obligation, and Revenue Bonds**

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Total</i>	
	2015	2014	2015	2014	2015	2014
Certificates of Obligation	\$ 725,000	835,000	1,581,808	1,773,675	2,306,808	2,608,675
General Obligation Refunding Bonds	338,000	375,000	5,307,000	5,653,000	5,645,000	6,028,000
Total	1,063,000	1,210,000	6,888,808	7,426,675	7,951,808	8,636,675

Additional information on the City of Atlanta, Texas' long-term obligations can be found in Note 8 in this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the City of Atlanta, Texas is currently 7.0 percent, which reflects a decrease from a rate of 7.4 percent a year ago. This compares unfavorably to the state's average unemployment rate of 4.5 percent and the national average rate of 5.1 percent.
- Inflation trends in the region compare unfavorably to national indices.

These factors were considered in preparing the City of Atlanta's budget for the 2016 fiscal year.

During the current fiscal year, unreserved fund balance in the General fund increased to \$1,421,498. The City adopted no change in its property tax rate of .660000 for the 2016 fiscal year.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attn: Jacqueline Jones, Finance Officer at P.O. Box 669, Atlanta, Texas, call (903) 796-2192 ext. 118, or email jjones@atlantatexas.org.

Basic Financial Statements

CITY OF ATLANTA, TEXAS

STATEMENT OF NET POSITION September 30, 2015

	<i>Primary Government</i>			<i>Component Units</i>	
	<i>Governmental</i>	<i>Business-Type</i>	<i>Total</i>	<i>Economic</i>	<i>City</i>
	<i>Activities</i>	<i>Activities</i>		<i>Development</i>	<i>Development</i>
			<i>Corporation</i>	<i>Corporation</i>	
ASSETS					
Cash	\$ 2,299,213	947,123	3,246,336	890,225	477,880
Investments					
Certificates of deposit	99,013		99,013		
Government and agency bonds	54,163		54,163		
Mutual funds, ETFs, and closed-end funds	176,867		176,867		
Equities and options	9,781		9,781		
Restricted cash		401,999	401,999		
Receivables (net of allowance for uncollectibles):					
Property taxes	291,803		291,803		
Franchise receipts	66,358		66,358		
Accounts	147,875	335,408	483,283	1,677	
Other government agencies	417,474		417,474		
Loans	118,362		118,362	1,511,546	75,000
Accrued interest			-	36,667	350
Prepaid expenses	28,287	12,322	40,609		
Due from component units	921		921		
Due from primary government			-	128,797	82,304
Capital assets (net of accumulated depreciation):					
Land	453,099	70,399	523,498	383,790	25,260
Buildings	844,001	62,951	906,952	600,949	282,348
Infrastructure	27,972		27,972	235,670	
Improvements other than buildings	1,351,074	12,279,901	13,630,975	207,359	493,720
Machinery and equipment	230,814	106,208	337,022		
Office furniture and equipment	44,845	12,606	57,451		48,449
Vehicles	257,624	89,663	347,287		
Construction in progress	60,935	17,318	78,253		
TOTAL ASSETS	6,980,481	14,335,898	21,316,379	3,996,680	1,485,311
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension outflows	186,720	23,825	210,545		2,472
Deferred charge on refunding		400,212	400,212		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	186,720	424,037	610,757	-	2,472

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

	<i>Primary Government</i>			<i>Component Units</i>	
	<i>Governmental</i>	<i>Business-Type</i>	<i>Total</i>	<i>Economic</i>	<i>City</i>
	<i>Activities</i>	<i>Activities</i>		<i>Development</i>	<i>Development</i>
			<i>Corporation</i>	<i>Corporation</i>	
LIABILITIES					
Accounts payable	188,871	56,622	245,493	2,551	5,700
Accrued liabilities	123,723	40,490	164,213		2,611
Due to component units	211,101		211,101		
Due to fiduciary funds	870		870		
Due to primary government			-		921
Due to other governments	21,109		21,109		
Accrued interest payable		21,575	21,575		
Customer deposits		150,115	150,115		
Long-term liabilities					
Due within one year:					
Bonds payable	38,000	354,000	392,000		
Certificates of obligation	110,000	200,000	310,000		
Notes payable		39,278	39,278	187,000	39,278
Accrued compensated absences	18,421		18,421		
Due in more than one year:					
Bonds payable	300,000	4,953,000	5,253,000		
Certificates of obligation	615,000	1,381,808	1,996,808		
Notes payable		129,261	129,261	1,736,000	129,261
Accrued compensated absences	163,665	45,097	208,762		
Net pension liability	725,947	9,228	735,175		958
TOTAL LIABILITIES	2,516,707	7,380,474	9,897,181	1,925,551	178,729
DEFERRED INFLOWS OF RESOURCES					
Deferred pension inflows	1,579	738	2,317		77
TOTAL DEFERRED INFLOWS OF RESOURCES	1,579	738	2,317	-	77
NET POSITION					
Net invested in capital assets	2,187,136	5,981,911	8,169,047	1,427,768	849,777
Restricted for:					
Capital improvements		371,402	371,402		
Debt service	58,669	34,215	92,884	251,787	
Court security and technology	14,431		14,431		
Community development	186,737		186,737		
Tourism	284,689		284,689		
Library	600,000		600,000		
Cemetery	3,657		3,657		
Unrestricted	1,313,596	991,195	2,304,791	391,574	459,200
TOTAL NET POSITION	\$ 4,648,915	7,378,723	12,027,638	2,071,129	1,308,977

CITY OF ATLANTA, TEXAS

STATEMENT OF ACTIVITIES For the Year Ended September 30, 2015

Functions/Programs	<i>Expenses</i>	<i>Program Revenues</i>		
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>
Primary government				
Governmental activities:				
General and administrative	\$ 667,587	9,072	206,281	
Police	1,023,671	96,615	50,730	
Fire	1,026,116	237,718	14,374	
Public facilities	396,301	16,576	13,202	
Public works	399,746	19,833		
Interest on long-term debt	34,476			
Total governmental activities	<u>3,547,897</u>	<u>379,814</u>	<u>284,587</u>	<u>-</u>
Business-type activities:				
Water and sewer	2,742,471	3,194,603		
Total business-type activities	<u>2,742,471</u>	<u>3,194,603</u>	<u>-</u>	<u>-</u>
Total primary government	<u>6,290,368</u>	<u>3,574,417</u>	<u>284,587</u>	<u>-</u>
Component units				
Economic Development Corp.	166,704	9,050		
City Development Corporation	300,825	19,996		
Interest on long term debt	81,638			
Total component units	<u>549,167</u>	<u>29,046</u>	<u>-</u>	<u>-</u>

General Revenues

Property taxes
Sales taxes
Franchise taxes
Other taxes
Investment earnings
Miscellaneous
Transfers
Total general revenues and transfers

Change in net position

Net position beginning of year,
as previously reported
Prior period adjustment
Net position beginning of year, as restated

Net position end of year

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

Net (Expense) Revenue and Changes in Net Position

<i>Governmental Activities</i>	<i>Primary Government</i>		<i>Component Units</i>	
	<i>Business-Type Activities</i>	<i>Total</i>	<i>Economic Development Corporation</i>	<i>City Development Corporation</i>
(452,234)		(452,234)		
(876,326)		(876,326)		
(774,024)		(774,024)		
(366,523)		(366,523)		
(379,913)		(379,913)		
(34,476)		(34,476)		
<u>(2,883,496)</u>	<u>-</u>	<u>(2,883,496)</u>	<u>-</u>	<u>-</u>
	452,132	452,132		
<u>-</u>	<u>452,132</u>	<u>452,132</u>	<u>-</u>	<u>-</u>
<u>(2,883,496)</u>	<u>452,132</u>	<u>(2,431,364)</u>	<u>-</u>	<u>-</u>
			(157,654)	
			(70,694)	(280,829)
			<u>(228,348)</u>	<u>(10,944)</u>
				<u>(291,773)</u>
1,735,203		1,735,203		
971,035		971,035	485,520	485,520
240,359		240,359		
85,961		85,961		
25,972	2,493	28,465	20,637	901
107,749		107,749	12,004	
52,489	(52,489)	-		
<u>3,218,768</u>	<u>(49,996)</u>	<u>3,168,772</u>	<u>518,161</u>	<u>486,421</u>
<u>335,272</u>	<u>402,136</u>	<u>737,408</u>	<u>289,813</u>	<u>194,648</u>
4,806,062	6,948,168	11,754,230	1,781,316	1,113,342
(492,419)	28,419	(464,000)		987
<u>4,313,643</u>	<u>6,976,587</u>	<u>11,290,230</u>	<u>1,781,316</u>	<u>1,114,329</u>
<u>\$ 4,648,915</u>	<u>7,378,723</u>	<u>12,027,638</u>	<u>2,071,129</u>	<u>1,308,977</u>

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CITY OF ATLANTA, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 1,400,183	899,030	2,299,213
Investments:			
Certificates of deposit		99,013	99,013
Government and agency bonds		54,163	54,163
Mutual funds, ETFs, and closed-end funds		176,867	176,867
Equities and options		9,781	9,781
Receivables (net of allowance for uncollectibles):			
Property taxes	17,129	1,156	18,285
Franchise receipts	66,358		66,358
Accounts	40,567	30,496	71,063
Other government agencies	335,148	82,326	417,474
Loans		118,362	118,362
Due from component unit	921		921
Prepaid expenses	28,287		28,287
TOTAL ASSETS	<u>1,888,593</u>	<u>1,471,194</u>	<u>3,359,787</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	103,108	85,763	188,871
Accrued liabilities	123,249	474	123,723
Due to other funds	870		870
Due to component units	211,101		211,101
Due to other governments	21,109		21,109
TOTAL LIABILITIES	<u>459,437</u>	<u>86,237</u>	<u>545,674</u>
Fund Balances:			
Non-Spendable:			
Permanent principal		603,657	603,657
Forgivable loans receivable		22,125	22,125
Noncurrent loans receivable		81,551	81,551
Restricted:			
Debt service		58,669	58,669
Court technology and security		14,431	14,431
Community development		75,024	75,024
Tourism		280,110	280,110
Committed:			
Parks		95,179	95,179
Assigned:			
Public safety	3,019		3,019
Cemetery		152,072	152,072
Library	4,639	2,676	7,315
Unassigned	1,421,498	(537)	1,420,961
TOTAL FUND BALANCES	<u>1,429,156</u>	<u>1,384,957</u>	<u>2,814,113</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,888,593</u>	<u>1,471,194</u>	<u>3,359,787</u>

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

CITY OF ATLANTA, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

September 30, 2015

Total governmental funds balances	\$ 2,814,113
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,270,364
Receivables reported in the statement of net position that are not available to provide current financial resources are not reported as receivables in the funds.	350,330
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	186,720
Long-term liabilities, including bonds payable, are not due and payable in the current periods and therefore are not reported in the funds:	
Certificates of obligation	(725,000)
General obligation bonds	(338,000)
Accrued compensated absences	(182,086)
Net pension liability	(725,947)
Other long-term liabilities are not due and payable in the current period and therefore deferred in the funds.	<u>(1,579)</u>
Net position of governmental activities	<u><u>\$ 4,648,915</u></u>

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

CITY OF ATLANTA, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 1,561,922	158,671	1,720,593
Other taxes	971,035	85,961	1,056,996
Franchise receipts	240,359		240,359
Charges for services	235,968		235,968
Municipal court	90,715	5,714	96,429
Grants	57,230	82,326	139,556
Intergovernmental	152,428		152,428
Investment earnings:			
Interest	35,866	28,762	64,628
Increase (decrease) in fair value		(38,656)	(38,656)
Rental		32,653	32,653
Other	40,639	34,800	75,439
Total revenues	<u>3,386,162</u>	<u>390,231</u>	<u>3,776,393</u>
EXPENDITURES			
Current:			
General and administrative	410,223	137,389	547,612
Police	1,002,179		1,002,179
Fire	937,998		937,998
Public facilities	258,844	95,877	354,721
Public works	380,332		380,332
Capital outlay	141,334	28,273	169,607
Debt service:			
Principal retirement		201,033	201,033
Interest and fiscal charges		34,476	34,476
Total expenditures	<u>3,130,910</u>	<u>497,048</u>	<u>3,627,958</u>
Excess (deficiency) of revenues over expenditures	<u>255,252</u>	<u>(106,817)</u>	<u>148,435</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	55,989	259,209	315,198
Transfers out	(113,670)	(149,039)	(262,709)
Total other financing sources (uses)	<u>(57,681)</u>	<u>110,170</u>	<u>52,489</u>
Net change in fund balances	197,571	3,353	200,924
Fund balances at beginning of year	1,231,585	1,381,604	2,613,189
Fund balances at end of year	<u>\$ 1,429,156</u>	<u>1,384,957</u>	<u>2,814,113</u>

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

CITY OF ATLANTA, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended September 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 200,924
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Capital outlay	169,607
Depreciation expense	(279,823)
<p>Revenues for property taxes and charges for services in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	54,287
<p>The repayment of the principal of long-term debt consumes the current financial resources of governmental funds.</p>	
	201,033
<p>Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds.</p>	
	(15,427)
<p>The increase in the pension liability is not a current financial resource and therefore is not reported in the funds.</p>	
	<u>4,671</u>
Change in net position of governmental activities	<u><u>\$ 335,272</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF ATLANTA, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended September 30, 2015

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Property taxes	\$ 1,561,600	1,576,774	\$ 1,561,922	(14,852)
Other taxes	942,500	964,137	971,035	6,898
Franchise receipts	250,600	250,600	240,359	(10,241)
Charges for services	221,000	275,860	235,968	(39,892)
Municipal court	50,000	105,081	90,715	(14,366)
Grants	34,400	53,962	57,230	3,268
Intergovernmental	95,897	95,897	152,428	56,531
Interest revenue	31,000	31,000	35,866	4,866
Other	18,200	49,084	40,639	(8,445)
Total revenues	<u>3,205,197</u>	<u>3,402,395</u>	<u>3,386,162</u>	<u>(16,233)</u>
EXPENDITURES				
Current:				
General and administrative	510,456	554,329	410,223	144,106
Police	1,083,998	1,088,414	1,002,179	86,235
Fire	966,893	967,678	937,998	29,680
Public facilities	258,046	267,267	258,844	8,423
Public works	345,845	430,568	380,332	50,236
Capital outlay	-	54,180	141,334	(87,154)
Total expenditures	<u>3,165,238</u>	<u>3,362,436</u>	<u>3,130,910</u>	<u>231,526</u>
Excess of revenue over expenditures	<u>39,959</u>	<u>39,959</u>	<u>255,252</u>	<u>215,293</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	52,071	52,071	55,989	3,918
Transfers out	(92,030)	(92,030)	(113,670)	(21,640)
Total other financing sources (uses)	<u>(39,959)</u>	<u>(39,959)</u>	<u>(57,681)</u>	<u>(17,722)</u>
Net change in fund balance	-	-	197,571	197,571
Fund balance at beginning of year	<u>1,181,930</u>	<u>1,181,930</u>	<u>1,231,585</u>	<u>49,655</u>
Fund balance at end of year	<u>\$ 1,181,930</u>	<u>1,181,930</u>	<u>1,429,156</u>	<u>247,226</u>

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

CITY OF ATLANTA, TEXAS

STATEMENT OF NET POSITION PROPRIETARY FUNDS

September 30, 2015

	<i><u>Water and Sewer</u></i>
ASSETS	
Current assets:	
Cash	\$ 947,123
Restricted cash	401,999
Accounts receivables (net of allowance for uncollectibles)	335,408
Prepaid expenses	12,322
Total current assets	<u>1,696,852</u>
Capital assets (net of accumulated depreciation):	
Land	70,399
Buildings	62,951
Improvements other than buildings	12,279,901
Machinery and equipment	106,208
Office furniture and fixtures	12,606
Vehicles	89,663
Construction in progress	17,318
Total capital assets	<u>12,639,046</u>
Total noncurrent assets	<u>12,639,046</u>
TOTAL ASSETS	<u>14,335,898</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension outflows	23,825
Deferred charge on refunding	400,212
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>424,037</u>

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

	<i><u>Water and Sewer</u></i>
LIABILITIES AND NET POSITION	
LIABILITIES	
Current liabilities:	
Accounts payable	56,622
Accrued liabilities	40,490
Accrued interest payable	21,575
General obligation bonds - current	354,000
Certificates of obligation - current	200,000
Notes payable - current	39,278
Total current liabilities	<u>711,965</u>
Noncurrent liabilities:	
Customer deposits	150,115
General obligation bonds payable	4,953,000
Certificates of obligation	1,381,808
Notes payable	129,261
Accrued compensated absences	45,097
Net pension liability	9,228
Total noncurrent liabilities	<u>6,668,509</u>
TOTAL LIABILITIES	<u>7,380,474</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension inflows	738
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>738</u>
NET POSITION	
Net invested in capital assets	5,981,911
Restricted:	
Capital improvements	371,402
Debt service	34,215
Unrestricted	991,195
TOTAL NET POSITION	<u><u>\$ 7,378,723</u></u>

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CITY OF ATLANTA, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS For the Year Ended September 30, 2015

	<i>Water & Sewer</i>
OPERATING REVENUES	
Water and sewer charges	\$ 2,067,535
Sanitation charges	870,761
Water connection fees	29,740
Relocation fees	140,506
Other income	86,061
Total operating revenues	<u>3,194,603</u>
OPERATING EXPENSES	
Water	1,214,225
Sewer	402,945
Sanitation	503,906
Depreciation	365,442
Total operating expense	<u>2,486,518</u>
Operating income	<u>708,085</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	2,493
Interest expense	(255,953)
Total nonoperating revenues (expenses)	<u>(253,460)</u>
Income before contributions and transfers	454,625
Transfers in	3,500
Transfers out	<u>(55,989)</u>
Change in net position	402,136
Net position, beginning of year, as previously reported	6,948,168
Prior period adjustment	28,419
Net position, beginning of year, as restated	<u>6,976,587</u>
Total net position, end of year	<u>\$ 7,378,723</u>

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

CITY OF ATLANTA, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended September 30, 2015

	<i><u>Water & Sewer</u></i>
Cash flows from operating activities:	
Cash received from customers	\$ 3,144,186
Cash paid to suppliers	(1,732,036)
Cash paid to employees	(471,064)
Net cash provided from operating activities	<u>941,086</u>
Cash flows from non-capital financing activities:	
Transfers to other funds	(55,989)
Transfers from other funds	3,500
Net cash provided (used) by non-capital financing activities	<u>(52,489)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(749,327)
Principal paid on bonds and certificates of obligation	(536,000)
Principal paid on notes	(37,515)
Interest paid on debt	(194,420)
Net cash provided (used) by capital and related financing activities	<u>(1,517,262)</u>
Cash flows from investing activities:	
Interest received on investments	<u>2,493</u>
Net cash provided from investing activities	<u>2,493</u>
Net increase (decrease) in cash	(626,172)
Cash, beginning of year	<u>1,975,294</u>
Cash, end of year	<u>\$ 1,349,122</u>

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

	<u>Water & Sewer</u>
<u>Reconciliation of operating income to net cash provided by operating activities</u>	
Operating income	\$ 708,085
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	365,442
(Increase) decrease in assets:	
Accounts receivable	(23,916)
Prepaid expenses	(12,322)
Deferred outflows	738
Increase (decrease) in liabilities:	
Accounts payable	(69,539)
Accrued liabilities	846
Due to other funds	(4,665)
Due to other governments	5,290
Customer deposits	(26,501)
Accrued compensated absences	2,712
Net pension liability	18,741
Deferred inflows	(23,825)
Total adjustments	<u>233,001</u>
Net cash provided from operating activities	<u>\$ 941,086</u>

CITY OF ATLANTA, TEXAS

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUND December 31, 2014

	<i>Firemen's Relief Pension Trust Fund 12/31/2014</i>
ASSETS	
Cash and cash equivalents	\$ 76,343
Investments, at fair value:	
Common trust fund - equity	1,896,740
Common trust fund - fixed income	987,882
Common trust fund - specialty	657,686
Contributions receivable	10,181
TOTAL ASSETS	<u>3,628,832</u>
LIABILITIES	
TOTAL LIABILITIES	<u>-</u>
NET POSITION	
Net position - restricted for pension benefits	3,628,832
TOTAL NET POSITION	<u>\$ 3,628,832</u>

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

CITY OF ATLANTA, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND

For the Year Ended December 31, 2014

	<i>Firemen's Relief Pension Trust Fund 12/31/2014</i>
ADDITIONS	
Contributions:	
Employer	\$ 87,949
Employee	77,509
Investment income:	
Interest and dividend income	97,399
Net appreciation in fair value of investments	104,241
Less investment expense	(33,779)
TOTAL ADDITIONS	<u>333,319</u>
 DEDUCTIONS	
Benefit payments	139,893
Administrative expenses	2,837
TOTAL DEDUCTIONS	<u>142,730</u>
 Change in net position	190,589
 Net position at beginning of year	<u>3,438,243</u>
 Net position at end of year	<u>\$ 3,628,832</u>

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

CITY OF ATLANTA, TEXAS

COMBINING BALANCE SHEET COMPONENT UNITS September 30, 2015

	<i>Economic Development Corporation</i>	<i>City Development Corporation</i>	<i>Total</i>
ASSETS			
Cash	\$ 890,225	477,880	1,368,105
Receivables (net of allowance for uncollectibles):			
Accounts	1,677		1,677
Loans	1,511,546	75,000	1,586,546
Accrued interest	36,667	350	37,017
Due from primary government	128,797	82,304	211,101
TOTAL ASSETS	<u>2,568,912</u>	<u>635,534</u>	<u>3,204,446</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	2,551	5,700	8,251
Accrued liabilities		2,611	2,611
Due to primary government		921	921
TOTAL LIABILITIES	<u>2,551</u>	<u>9,232</u>	<u>11,783</u>
Fund Balances:			
Nonspendable:			
Forgivable loan receivable	25,000		25,000
Noncurrent loan receivable	1,271,429	67,955	1,339,384
Restricted:			
Debt service	251,787		251,787
Committed:			
Economic development	1,018,145	558,347	1,576,492
TOTAL FUND BALANCES	<u>2,566,361</u>	<u>626,302</u>	<u>3,192,663</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,568,912</u>	<u>635,534</u>	<u>3,204,446</u>

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

CITY OF ATLANTA, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE
COMPONENT UNITS
For the Year Ended September 30, 2015**

	<i>Economic Development Corporation</i>	<i>City Development Corporation</i>	<i>Total</i>
REVENUES			
Sales tax	\$ 485,520	485,520	971,040
Rental	9,050	19,996	29,046
Interest	20,637	901	21,538
Other	12,004		12,004
Total revenues	<u>527,211</u>	<u>506,417</u>	<u>1,033,628</u>
EXPENDITURES			
Current:			
Economic/ City development	102,904	264,303	367,207
Capital outlay		44,872	44,872
Debt service:			
Principal	181,000	166,679	347,679
Interest	70,694	10,944	81,638
Total expenditures	<u>354,598</u>	<u>486,798</u>	<u>841,396</u>
Net change in fund balance	172,613	19,619	192,232
Fund balance at beginning of year	<u>2,393,748</u>	<u>606,683</u>	<u>3,000,431</u>
Fund balance at end of year	<u><u>\$ 2,566,361</u></u>	<u><u>626,302</u></u>	<u><u>3,192,663</u></u>

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

CITY OF ATLANTA, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Atlanta, Texas was incorporated on November 12, 1968 under the provisions of Vernon's Civil Statutes Article 1175(1) as amended (Home Rule Enabling Act). 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), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

As required by generally accepted accounting principles, these financial statements present the City of Atlanta, Texas (the primary government) and its component units. The component units discussed in Note 1.B. are included in the City's reporting entity because of the significance of their operational or financial relationship with the City as determined by the criteria of Governmental Accounting Standards Board (GASB).

B. INDIVIDUAL COMPONENT UNIT DISCLOSURES - *Blended and Discrete Component Units*

Blended component units are, in substance, part of the City's operations. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City.

The financial statements of the following organizations are included in the accompanying financial statements as blended component units:

Atlanta Public Library - The twelve members of the Atlanta Public Library Advisory Board are appointed by the City Council. The Library Advisory Board does not approve transactions of a financial nature. These transactions require approval by the City Council. Library employees are paid by the City and are under the supervision of the City Manager. The operating budget of the Library is incorporated into the City's annual budget and approved by the City Council.

Atlanta Hotel/Motel Tax Committee - The five members of the Hotel/Motel Committee are appointed by the City Council. The City is obligated for the debt of the Hotel/Motel Committee. This committee expends hotel/motel tax funds to promote tourism and the City of Atlanta in general.

Atlanta Firefighters' Relief and Retirement Fund - The Atlanta Firefighters' Relief and Retirement Fund (plan) was established pursuant the Texas Local Firefighter's Retirement Act of 1937. The plan is administered by a seven-member Board of Trustees (Board), which includes three members elected from and by the fund members, two representatives of the City, and two citizen members. The plan has a different year end (December 31) from the City and has separately issued financial statements. Complete financial statements for the plan can be obtained from the City finance department. The plan is reported as a fiduciary fund based on the audited financial statements as of December 31, 2014.

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

The financial statements of the following organizations are included in the accompanying financial statements as discretely presented component units:

Atlanta Economic Development Corporation - The five members of the Atlanta Economic Development Corporation are appointed by the City Council. The Corporation is organized exclusively for the purposes of promoting and developing commercial, industrial, and manufacturing enterprises which will benefit the citizens of the City of Atlanta, Texas. The Corporation does not provide services to the primary government; therefore, the Corporation is considered a discretely presented component unit. Separately issued audited financial statements for the Atlanta Economic Development Corporation are not available.

Atlanta City Development Corporation - The seven members of the Atlanta City Development Corporation are appointed by the City Council. The Corporation is a non-profit corporation, and is an economic development corporation organized under the Development Corporation Act of 1979, and is governed by Section 4B of the Act. The Corporation is organized exclusively for the purposes of the promotion and development of commercial, industrial, and manufacturing enterprises to promote and encourage employment and the public welfare. The Corporation meets the criteria to be reported as a discretely presented component unit of the City. Separately issued audited financial statements for the Atlanta City Development Corporation are not available.

The financial statements of the following organization are excluded from the accompanying financial statements:

Atlanta Housing Authority - The City Council appoints the Board; however, the Authority has complete legal, budgetary, and administrative control over its affairs and is primarily responsible to the Federal government. Its operations are financed by Federal government subsidies and rents.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements consist of the statement of net position and the statement of activities. The government-wide financial statements report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges for services. Similarly, the primary government is reported separately from legally separate component units which the primary government is financially accountable.

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

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

Separate financial statements are provided for governmental funds and proprietary funds as well as fiduciary funds and component units even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Government fund financial statements and component unit fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded when payment is due.

Revenue sources such as property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

Water and Sewer Fund - This fund is used to account for water and sewer services provided to the citizens of Atlanta, Texas.

Additionally, the City reports the following types of funds:

Firemen's Relief Pension Trust Fund - This fund is established to account for the accumulation of resources to provide pension benefits to the City's firemen. The principal revenue sources for this fund are employer and employee contributions and investment earnings. This fund has a separate audit and has a December 31 year end.

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions, and capital grants and contribution. Internally dedicated resources are reported as general revenues rather than as program revenues. All taxes are included as general revenues.

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

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

E. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

1. Deposits and investments

Statutes authorize the City to invest in obligations of the U. S. Treasury and U. S. agencies; bankers' acceptances; repurchase agreements; commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The Firemen's Relief and Pension Trust Fund is authorized to invest in bonds or other interest-bearing obligations and securities of the United States, the State of Texas, or any county, city, or other political subdivision of the State of Texas; in insured shares or share accounts of savings and loan associations; in insured first lien real estate mortgage securities and in selected corporation bonds, preferred stocks, and common stocks.

Cash includes amounts in demand and time deposit accounts. Investments are reported at fair value. Short-term investments, such as certificates of deposit and debt securities with a maturity date of less than one year, are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. The City classifies all certificates of deposit as investments on its balance sheets. The City classifies its

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

investment in Government Overnight Funds in the Lone Star Investment Pool as cash on its balance sheet since it is highly liquid and readily available.

For purposes of the statement of cash flows, the proprietary fund considers cash in bank, money market, and savings accounts as cash and cash equivalents. All certificates of deposits and investments in other securities and instruments are considered to be investments.

2. Receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as either “due to/from other funds (i.e. the current portion of interfund loans) or “advances to/from other funds (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the City’s governmental activities and business type activities are reported in the government-wide financial statements as “internal balances”.

All trade and property taxes receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 94 percent of outstanding property taxes at September 30, 2015.

Property taxes are levied each October 1 and may be paid without penalty until January 31. A penalty is added to payments received February 1 through June 30. An enforceable lien is attached when property taxes become delinquent. As of August, 1993, the Cass County Appraisal District assumed the billing and collection function for property taxes for the City of Atlanta under an intergovernmental agreement.

The City is allocating a portion of property taxes revenue to the Street Interest and Sinking fund beginning with the 2000 property tax levy.

The Texas Constitution limits the City’s ad valorem tax rate for all purposes to \$2.50 per one hundred dollars of assessed valuation. Ad valorem tax revenue during the year ended September 30, 2015 was levied using a rate of \$.66 per hundred dollars of assessed valuation, based on 100% of estimated market value, which means that the City has a tax margin of \$1.84 per \$100 and could raise taxes up to an additional \$4,874,368 a year from the present assessed valuation of \$264,911,327 before the limit is reached.

3. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of enterprise fund revenue bonds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The enterprise fund reports such proceeds

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

of revenue bond issuances that are restricted for use in construction and debt service. Restricted assets also include interest accrued on unexpended bond proceeds.

5. Capital assets

Capital assets which include land, buildings, improvements, machinery and equipment, office furniture and equipment, and vehicles are reported in the applicable governmental or business-type activities columns of the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$2,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended September 30, 2015.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 years
Infrastructure	10 years
Improvements	10 to 100 years
Machinery and equipment	5 to 10 years
Office furniture and equipment	5 to 10 years
Vehicles	5 years

As a result of the implementation of GASB 34, the City began accounting for infrastructure assets on its financial statement at October 1, 2003. The government-wide financial statements include those infrastructure assets that were either completed subsequent to October 1, 2003. However, the government-wide financial statements do not reflect those infrastructure assets completed prior to October 1, 2003.

6. Compensated Absences

The City allows employees to accumulate earned but unused vacation and sick pay benefits. The City's full-time employees are granted vacation and sick leave. Sick leave is accrued indefinitely at a rate of 1/2 day per each month of service. Employees are eligible to be paid for 25% of any earned but unused sick leave and all unused vacation time upon termination of employment with the City. Although accrual begins at original date of employment, benefits are not granted until six months of service have been completed. Compensation time is awarded as requested and approved. No liability is recorded for non-vesting vacation leave. In addition, fire and police department employees earn holiday time if these employees work on a day which is considered a "holiday" for all other City employees. All vested vacation pay and 25% of the sick leave liability is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured or become "due". Compensated absences liabilities become "due" upon the occurrence of related events such as resignations, retirements, and uses on leave balances by covered employees. In accordance with the provisions of Governmental Accounting Standards Board Statement

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

No. 16, “*Accounting for Compensated Absences*,” no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of cumulative sick leave benefits that it is estimated will be taken as “terminal leave” prior to retirement.

7. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

8. Fund equity

Governmental funds report fund balance amounts in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Non-spendable fund balance - includes those amounts that are (a) not in spendable form, or (b) 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, prepaid amounts and long-term notes receivable.

Restricted fund balance – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed fund balance - includes amounts that can only be used for the specific purposes determined by a formal actions of the City’s highest level of decision making authority, the City Council of the City of Atlanta, Texas. Commitments may be changed or lifted only by the City taking the same formal actions that imposed the constraint originally (for example: resolution and ordinance).

Assigned fund balance - includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) Atlanta City Council or (b) a body (a budget, finance committee, or City Manager) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts that are not classified as non-spendable, restricted, or committed).

Unassigned fund balance – this residual classification is used for all negative fund balances.

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple funds balance classifications fund balance is depleted in the order of restricted, committed, assigned and unassigned.

9. Net Position

In the government-wide financial statements, net position are classified in the following categories:

Invested in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction or improvement of the assets. The City has \$8,169,047 in net position, invested in capital assets at September 30, 2015.

Restricted net position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, constitutional provisions. At September 30, 2015, the restricted net position balance was \$1,553,800.

Unrestricted net position – This amount is all net assets that do not meet the definition of “invested in capital assets” or “restricted net position.”

In circumstances when an expense is made for a purpose for which amounts are available in multiple net assets classifications, net position is depleted in the order of restricted and unrestricted.

10. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of revenues and expenditures. Actual results could differ from those estimates and assumptions.

11. Encumbrances

Encumbrances represent purchase orders, contracts, and other commitments for the expenditure of funds. Encumbrances do not constitute expenditures or liabilities. The City does not employ encumbrance accounting. As it is the City’s intention to honor all commitments, the subsequent year’s appropriations will provide authority to complete these transactions. However, such commitments do not constitute a material amount.

12. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has two items that qualify for reporting in this category. They are the deferred pension outflows and the deferred charge on refunding reported in the statement of net position. The deferred pension outflows are the deferred outflows of contributions for the amount of pension contributions made by the City after the liability measurement

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

date but prior to the City year end and the deferred outflows - investment experience for the difference in the projected and actual earnings on pension plan investments. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. Accordingly, the item, deferred pension inflows consists of the difference in expected and actual experience and the difference in the assumption changes.

13. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the Fiduciary Net Position of the respective pension plan and additions to/deductions from the respective Fiduciary Net Position have been determined on the same basis as they are reported by the respective pension plan. For this purpose, plan contributions are recognized in the period that compensation is report for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 1, the City Manager submits to the Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
2. After proper official public notification, public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, or as soon thereafter as practical, the budget is legally enacted by a majority vote of all members of the Council present. If the Council takes no final action prior to September 30, the budget as submitted by the City Manager shall be deemed to have been adopted by the Council.
4. Budgeted amounts are as originally adopted or as amended by the Council. Individual amendments were not material in relation to the original appropriations which were amended. The City Charter prohibits budgeting total proposed expenditures in excess of total anticipated revenues and any unencumbered funds from prior years; therefore, expenditures may not legally exceed revenues and unencumbered fund balances of prior years.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Budget appropriations lapse at year-end by total fund and are re-established in the succeeding year.

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

8. The City Council also approves annual operating budgets for the City's proprietary, special revenue, and debt service funds to facilitate management evaluation and control.

NOTE 3 - CASH AND INVESTMENTS

Interest Rate Risk

City Funds (Excluding Firemen's Relief and Retirement Fund)

As of September 30, 2015, the City had the following debt security investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Cemetery Permanent Trust					
Government and Agency Bonds	\$ 54,163				54,163
	<u>\$ 54,163</u>	<u>-</u>	<u></u>	<u></u>	<u>54,163</u>
<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Days)</u>			
Lone Star Investment Pool	<u>\$ 1,702,485</u>	Weighted-average	33 (1)	101 (2)	

- (1) This weighted average maturity calculation uses the industry standard definition of stated maturity for floating rate instruments, the number of days until the next reset date.
- (2) This weighted average maturity calculation uses the final maturity of any floating rate instrument, as opined in Texas Attorney General Opinion No. JC3059.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the investment portfolio as follows:

<u>Investment Type</u>	<u>Not to exceed</u>
U.S. Treasury Obligations	100%
U.S. Government agencies and instrumentalities	50%
Fully insured or collateralized CD's	30%
Commercial paper	25%
Maximum per commercial paper issuer	10%
Repurchase agreements	100%
Money market funds:	100%
Local government investment pools	100%

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

The City's investment policy covers all funds except for the Firemen's Relief and Retirement fund. The City's funds are managed and invested with four primary objectives, listed in order of their priority: safety, liquidity, diversification, and yield. The City's investment policy considers the following investments to be acceptable:

- Obligations of the United States Government, its agencies and instrumentalities, and government sponsoring enterprises, not to exceed on year to stated maturity, excluding collateralized mortgage obligations (CMO's).
- Fully insured or collateralized certificates of deposit from a bank doing business in the state of Texas and under the terms of a written depository agreement with the bank, not to exceed on year to maturity.
- Commercial paper rated A-1/P-1 or the equivalent by at least two nationally recognized rating agencies not to exceed 180 days to stated maturity.
- Repurchase agreements and reverse repurchase agreements as defined by the Public Funds Investment Act, not to exceed 180 days to stated maturity, provided an executed PSA Master Repurchase Agreement is on file with the City and the counter-party bank or primary dealer
- No-load, SEC registered money market funds, each approved specifically before use by the City Council.
- Constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act.

Firemen's Relief and Retirement Fund

The Atlanta Firefighters' Relief and Retirement Fund (Fund) invests in fixed income securities with maturities greater than one year. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Interest rate risk is the greatest risk faced by an investor in the fixed income market. The price of a fixed income security typically moves in the opposite direction of the change in interest rates. The Fund's Investment Policy sets limits on exposure to certain securities as a way of managing its exposure to potential fair value losses arising from future changes in interest rates.

Custodial Credit Risk

For a deposit, custodial credit risk is the risk that, in the event of a failure of a depository institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk 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. The City's investment policy requires that all securities pledged to the City for time or demand deposits be held by an independent third party bank doing business in Texas. The safekeeping bank may not be within the same holding company as the bank from which the securities are pledged. The bank is responsible for monitoring collateral. Generally, collateralization is required on certificates of deposit over the FDIC insurance coverage of \$250,000, and repurchase agreements. In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level will be 102% of the market value of the principal and accrued interest. Collateral will be held by an independent third party safekeeping agent. Of the primary government's \$2,139,479 in categorizable bank deposits and \$63,944 in categorizable investments, excluding fire pension assets, none are uninsured and uncollateralized at September 30, 2015. Of the component units' \$1,374,659 of deposits, none are uninsured and uncollateralized at September 30, 2015.

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

Credit Risk: Quality Ratings

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Atlanta Firefighters' Relief and Retirement Fund (Fund) does not have a formal policy limiting investment credit risk, but rather mandates such limits within the Investment Policy and the Investment Advisor agreement.

The City's investment policy for funds other than pensions allows for investment in obligations of the U.S. Government, not to exceed one year stated maturity, excluding collateralized mortgage obligations (CMOs), fully insured or collateralized certificates of deposit from a bank doing business in the state of Texas and under the terms of a written depository agreement with the bank, not to exceed one year to maturity, commercial paper rated A-1/P-1 or equivalent by at least two nationally recognized rating agencies not to exceed 180 days to stated maturity, repurchase agreements and reverse repurchase agreements as defined by the Public Funds Investment Act, not to exceed 180 days to stated maturity, No-load, SEC registered money market funds, with approval by City Council, and constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act.

The City's investment in Government Overnight Funds in Lone Star Investment Pool was rated AAAM by Standard and Poor's. The City's investments in the Common Trust Funds are not rated by an investor service.

Credit Risk: Concentrations

The asset allocation guide of the Atlanta Firefighters' Relief and Retirement Fund's (Fund) Investment Policy contains guideline percentages, at market value, of total Fund Assets to be invested in various asset classes, with the objective of optimizing the investment return of the Fund within framework of acceptable risk and diversification. Actual asset allocations will be dictated by current and anticipated market conditions, the independent actions of Board and/or investment managers, and the required cash flow to and from the Fund.

The City's investment policy for funds other than pensions allows for the following asset allocations: U. S. Treasury obligations (100%), U.S. Government agencies and instrumentalities (not to exceed 50%), fully insured or collateralized CD's (not to exceed 30%), commercial paper (not to exceed 25%), repurchase agreements (100%), money market funds (100%), and local government investment pools (100%).

Concentrations of credit risk of over 5% by issuer are as follows:

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

<u>Type</u>	<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Primary Government:			
Cash	Westwood Trust	\$ 329	
SEI Government Principal	Westwood Trust	64,093	
Common Trust Fund - Equity	Westwood Trust	1,896,740	
Common Trust Fund - Fixed	Westwood Trust	987,882	
Common Trust Fund - Specialty	Westwood Trust	657,686	
Total Westwood Trust		<u>\$ 3,606,730</u>	46.88%
Cash	Guaranty Bond Bank	<u>\$ 1,360,796</u>	17.69%
Component Units:			
Cash	Cass County Bank	<u>\$ 1,374,659</u>	100.00%

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The City's investment policy pertaining to funds other than pension funds does not allow non-dollar denominated issues (i.e. foreign currency). The City's Firemen's Relief and Pension fund's investment policy requires that foreign currency exposure of the non-dollar denominated issues may be hedged.

NOTE 4 – RECEIVABLES

Receivables as of year end for the City's individual major funds and nonmajor funds and fiduciary funds, as well as component units, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Nonmajor and other funds</u>	<u>Total Governmental Funds</u>	<u>Water & Sewer</u>	<u>Total City</u>	<u>AEDC Component Unit</u>
Receivables:						
Property taxes	\$ 276,106	18,644	294,750		294,750	
Franchise receipts	66,358		66,358		66,358	
Accounts	155,972	30,570	186,542	765,912	952,454	1,677
Other governments	335,148	82,326	417,474		417,474	
Loans		118,362	118,362		118,362	1,586,546
Interest			-		-	37,017
Gross receivables	<u>833,584</u>	<u>249,902</u>	<u>1,083,486</u>	<u>765,912</u>	<u>1,849,398</u>	<u>1,625,240</u>
Less: allowance for uncollectibles	<u>(374,382)</u>	<u>(17,562)</u>	<u>(391,944)</u>	<u>(430,504)</u>	<u>(822,448)</u>	
Net total receivables	<u>\$ 459,202</u>	<u>232,340</u>	<u>691,542</u>	<u>335,408</u>	<u>1,026,950</u>	<u>1,625,240</u>

The City has a loan receivable from a local restaurant to which the City provided grant funded redevelopment monies. In 2012, the City made a loan to the restaurant for \$88,500, which was forgivable over a four year period at \$22,125 each year on the anniversary date of the opening of the restaurant. The first payment was forgiven on February 1, 2013. At September 30, 2015, the City has a loan receivable for \$22,125.

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

The City made another loan to the restaurant described above with USDA revolving loan funds. The grant funds were received in FY 2011 and disbursed to the restaurant in FY 2012 in the amount of \$150,000 due in monthly installments of \$1,448 beginning November 2011 and maturing in October 2021 at an interest rate of 3%. The loan receivable balance at September 30, 2015 is \$96,237.

The Atlanta Economic Development Corporation (AEDC), component unit of the City, made a loan agreement in February 2013 with a corporation which located a new manufacturing facility in the City's business park, in the amount of \$1,250,000 due in 7 annual installments of \$178,571 beginning February 15, 2016 and maturing February 15, 2022. The note bears no interest. In February 2016, the AEDC extended the due date for the first payment by six (6) months. In February 2013, the AEDC amended the original loan agreement and made an additional \$200,000 available to the corporation. The corporation had drawn down all of the additional funds by September 30, 2014. The first amendment amount is due on or before December 31, 2018 at a flat interest rate of 50%. The loan receivable balance at September 30, 2015 was \$1,450,000. The loan agreement also provides for AEDC to reimburse property taxes paid by the corporation to the City of Atlanta during the first 36 months, if after the initial three years of the loan term the corporation meets the additional provisions described as follows. By the end of the first 36 months of the term and for the remaining months of the terms, the corporation will employ and maintain a minimum of 35 full-time employment positions working at the facility having average annual salaries of \$35,000 per year including benefits if offered by the corporation. The AEDC also loaned the corporation funds to pay property taxes for the year. The balance of that additional receivable at September 30, 2015 was \$36,546.

The AEDC made forgivable loan receivable #2 in September 2013 to a corporation for \$25,000 which does not require repayment so long as the corporation meets specific benchmarks defined in the loan agreement. The terms of the agreement expire on November 1, 2015. The requirements include use of the loan funds for qualified expenditures associated with establishing an industrial equipment maintenance and machine shop business, purchasing a specific facility for the shop, agreeing to operate the shop, and agreeing to employ a minimum of 8 full-time positions for 12 consecutive months with the average salary of \$35,000 or more per year including benefits if offered. The AEDC agrees to completely forgive repayment of the loan if the borrower complies with the terms of the agreements. If borrower defaults on the agreement, the entire balance is due prior to November 15, 2015. The requirements of this note receivable were fulfilled and the balance was forgiven subsequent to year end.

The Atlanta City Development Corporation (ACDC), component unit of the City, made a loan agreement in December 2014 with a local non-profit organization. The agreement makes funds in the amount of \$85,000 available to the borrower at an annual flat interest rate of 2.00% with monthly payments due over a ten (10) year period. The loan receivable balance at September 31, 2015 was \$75,000.

The annual requirements for the loans receivable outstanding at September 30, 2015 are as presented in the following schedule.

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

<i>Year ending September 30</i>	<i>Nonmajor governmental fund</i>		
	<i>Forgivable loan receivable</i>	<i>Revolving loan receivable</i>	<i>Total</i>
2016	\$ 22,125	14,686	36,811
2017		15,132	15,132
2018		15,593	15,593
2019		16,067	16,067
2020		16,556	16,556
2021-2024		18,203	18,203
	<u>\$ 22,125</u>	<u>96,237</u>	<u>118,362</u>

<i>Year ending September 30</i>	<i>Atlanta Economic Development Corporation</i>			<i>Atlanta City Development Corporation</i>
	<i>Forgivable loan receivable</i>	<i>Revolving loan receivable</i>	<i>Total</i>	<i>Loan receivable</i>
2016	\$ 25,000	178,571	203,571	7,045
2017		178,571	178,571	6,966
2018		178,571	178,571	7,106
2019		178,571	178,571	7,248
2020		178,571	178,571	7,393
2021-2024		593,691	593,691	39,242
	<u>\$ 25,000</u>	<u>1,486,546</u>	<u>1,511,546</u>	<u>75,000</u>

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2015 was as follows for governmental activities:

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

	<i>Balance October 1, 2014</i>	<i>Additions</i>	<i>Transfers/ Retirements</i>	<i>Balance September 30, 2015</i>
Governmental activities:				
Land	\$ 453,099			453,099
Construction in progress	-	60,935		60,935
Total capital assets, not being depreciated	<u>453,099</u>	<u>60,935</u>	<u>-</u>	<u>514,034</u>
Capital assets, being depreciated:				
Buildings	1,748,134			1,748,134
Improvements other than buildings	5,574,166			5,574,166
Infrastructure		28,273		28,273
Machinery and equipment	619,000			619,000
Office furniture and equipment	199,451			199,451
Vehicles	924,871	80,399	(1,938)	1,003,332
Total capital assets, being depreciated	<u>9,065,622</u>	<u>108,672</u>	<u>(1,938)</u>	<u>9,172,356</u>
Less accumulated depreciation for:				
Buildings	(857,279)	(46,854)		(904,133)
Improvements other than buildings	(4,080,855)	(142,237)		(4,223,092)
Infrastructure		(301)		(301)
Machinery and equipment	(337,049)	(51,137)		(388,186)
Office furniture and equipment	(147,580)	(7,026)		(154,606)
Vehicles	(715,378)	(32,268)	1,938	(745,708)
Total accumulated depreciation	<u>(6,138,141)</u>	<u>(279,823)</u>	<u>1,938</u>	<u>(6,416,026)</u>
Total capital assets, being depreciated, net	<u>2,927,481</u>	<u>(171,151)</u>	<u>-</u>	<u>2,756,330</u>
Governmental capital assets, net	<u>\$ 3,380,580</u>	<u>(110,216)</u>	<u>-</u>	<u>3,270,364</u>

Capital assets activity for the year ended September 30, 2015 was as follows for business-type activities:

	<i>Balance October 1, 2014</i>	<i>Additions</i>	<i>Transfers/ Retirements</i>	<i>Balance September 30, 2015</i>
Business-type activities:				
Land	\$ 70,399			70,399
Construction in progress	120,811	17,318	(120,811)	17,318
Total capital assets, not being depreciated	<u>191,210</u>	<u>17,318</u>	<u>(120,811)</u>	<u>87,717</u>

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

	<i>Balance October 1, 2014</i>	<i>Additions</i>	<i>Transfers/ Retirements</i>	<i>Balance September 30, 2015</i>
Capital assets, being depreciated:				
Buildings	92,019			92,019
Improvements other than buildings	18,080,546	609,121	120,811	18,810,478
Machinery and equipment	249,552	69,969	(38,175)	281,346
Office furniture and equipment	53,992			53,992
Vehicles	222,285	52,919	1,938	277,142
Total capital assets, being depreciated	<u>18,698,394</u>	<u>732,009</u>	<u>84,574</u>	<u>19,514,977</u>
Less accumulated depreciation for:				
Buildings	(26,127)	(2,941)		(29,068)
Improvements other than buildings	(6,205,243)	(325,334)		(6,530,577)
Machinery and equipment	(199,677)	(13,636)	38,175	(175,138)
Office furniture and equipment	(33,851)	(7,535)		(41,386)
Vehicles	(169,545)	(15,996)	(1,938)	(187,479)
Total accumulated depreciation	<u>(6,634,443)</u>	<u>(365,442)</u>	<u>36,237</u>	<u>(6,963,648)</u>
Total capital assets, being depreciated, net	<u>12,063,951</u>	<u>366,567</u>	<u>120,811</u>	<u>12,551,329</u>
Business-type capital assets, net	<u>\$ 12,255,161</u>	<u>\$ 383,885</u>	<u>\$ -</u>	<u>\$ 12,639,046</u>

Capital assets activity for the year ended September 30, 2015 for the component units was as follows:

	<i>Balance October 1, 2014</i>	<i>Additions</i>	<i>Transfers/ Retirements</i>	<i>Balance September 30, 2015</i>
Component units:				
Land	\$ 409,050			409,050
Total capital assets, not being depreciated	<u>409,050</u>			<u>409,050</u>
Capital assets, being depreciated:				
Buildings	979,254	25,958		1,005,212
Infrastructure	432,821			432,821
Improvements other than buildings	880,382			880,382
Office furniture and equipment	48,917	18,912		67,829
Vehicles	6,033			6,033
Total capital assets, being depreciated	<u>2,347,407</u>	<u>44,870</u>		<u>2,392,277</u>

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

	<u>October 1, 2014</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>September 30, 2015</u>
Component units:				
Less accumulated depreciation for:				
Buildings	(99,232)	(22,683)		(121,915)
Infrastructure	(153,403)	\$ (43,748)		(197,151)
Improvements other than buildings	(151,290)	(28,013)		(179,303)
Office furniture equipment	(13,052)	(6,328)		(19,380)
Vehicles	(6,033)			(6,033)
Total accumulated depreciation	<u>(423,010)</u>	<u>(100,772)</u>		
Total capital assets, being depreciated, net	<u>1,924,397</u>	<u>(55,902)</u>		
Component units capital assets, net	<u>\$ 2,333,447</u>	<u>(55,903)</u>		<u>2,277,544</u>

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

Governmental Activities:	
General and administrative	\$ 123,150
Police	26,332
Fire	69,730
Public facilities	40,835
Public works	19,776
Total depreciation expense - governmental activities	<u>\$ 279,823</u>
Business-type Activities:	
Water and sewer	<u>\$ 365,442</u>

Depreciation expense was charged to the respective function/programs of the component units in the amount of \$63,801 Economic Development Corporation and \$36,971 for City Development Corporation for a total of \$100,772.

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Firemen's Relief Pension	General	\$ 870
Total		<u>\$ 870</u>

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

Purpose:

\$870 To reimburse the Firemen’s Relief Pension Trust Fund for the Volunteers Donation paid by the fire department to the pension fund each month. This balance is not reported on the financial statements for the Atlanta Firefighters’ Relief and Retirement Fund as it has a December 31, 2014 year end.

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

A payable to the component units, \$128,797 to Atlanta City Development Corporation (ACDC) and \$82,304 to Atlanta Economic Development Corporation (AEDC), is reflected on the General Fund balance sheet at September 30, 2015. This payable is for August and September 2015 sales tax.

A \$921 receivable from a component unit, ACDC, is on the General Fund balance sheet at September 30, 2015 for reimbursement of ACDC expenses for the month of September.

Interfund transfers:

	<u>Transfer In:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Water & Sewer</u>	
Transfer out:				
General	\$ -	113,670		113,670
Nonmajor governmental		145,539	3,500	149,039
Water and sewer	55,989			55,989
Total	<u>\$ 55,989</u>	<u>259,209</u>	<u>3,500</u>	<u>318,698</u>

Purpose:

\$55,989 To transfer funds to General Fund for 10% of billing for solid waste for the year ended September 30, 2015.

\$101,970 To transfer funds to Debt Service Fund for bond payments.

\$133,539 To transfer funds to Debt Service Fund for bond payments.

\$11,700 To transfer funds from the General fund to the Airport fund for assistance with operations of the Airport for the year ended September 30, 2015.

\$3,500 Transfer to close the Drainage Grant fund to the Water & Sewer fund

\$12,000 To transfer funds from the Tourism MLC Center fund to the Hotel/Motel Tax Fund for budgeted items.

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds.

NOTE 7 – PENSION AND EMPLOYEE BENEFIT PLANS

The City has elected to participate in Social Security coverage as well as the following retirement plans for its employees: Texas Municipal Retirement System and Atlanta Firemen’s Relief and Retirement Fund.

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

A. Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS ACT, Subtitle G, Title 8, Texas Government Code (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’ defined benefit pensions 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.tmr.com.

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

B. 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-finance monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of the benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

Plan provisions for the City were as follows:

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

Employee deposit rate	5%
City current matching ratio	1-1
Updated Service Credit:	
Rate	100T
Year effective	1994R
Increased benefits to retirees:	
Rate	70%
Year effective	1999R
Vesting	5 yrs.
Service retirement eligibilities	5 yrs/age 60, 20 yrs/any age
Restricted prior service credit effective date	May 2009
Supplemental death benefits	Employees
Supplemental death benefits	Retirees
Statutory maximum (%)	7.50%

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

Inactive employees or beneficiaries currently receiving benefit	16
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>40</u>
Total	<u><u>64</u></u>

C. 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 governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Atlanta, Texas were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Atlanta, Texas were as follows in calendar years 2014 and 2015.

City Contribution Rate:	
2014	6.52%
2015	4.36%

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

The City's contributions to TMRS for the year ended September 30, 2015 were \$71,875 and were equal to the required contributions.

D. 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 Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

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 109% 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 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the 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 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 ATLANTA, TEXAS

Notes to the financial statements continued.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability 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 Total Pension Liability.

CHANGES IN NET PENSION LIABILITY

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at 12/31/2013	\$ 3,032,868	2,994,589	38,279
Changes for the year:			
Service cost	117,450		117,450
Interest	213,286		213,286
Change of benefit terms	-		-
Difference between expected and actual experience	(2,936)		(2,936)
Changes of assumptions	-		-
Contributions - employer		94,395	(94,395)
Contributions - employee		72,388	(72,388)
Net investment income		171,311	(171,311)
Benefit payments, including refunds of employee contributions	(89,311)	(89,311)	-
Administrative expense	-	(1,789)	1,789
Other changes		(147)	147
Net changes	238,489	246,847	(8,358)
Balance at 12/31/2014	<u>\$ 3,271,357</u>	<u>3,241,436</u>	<u>29,921</u>

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

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 be if it were calculated using a discount rate that is 1% point lower (6.0%) or 1% point higher (8.0%) than the current rate:

	<i>1% Decrease in Discount Rate (6.0%)</i>	<i>Discount Rate (7.0%)</i>	<i>1% Increase in Discount Rate (8.0%)</i>
City's net pension liability	\$ 491,900	\$ 29,921	\$ (352,075)

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.

E. 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 of \$57,783.

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

SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

	<i>Deferred Outflows of Resources</i>		
	<i>City</i>	<i>Component Unit - ACDC</i>	<i>Total</i>
Net difference between projected and actual earnings on pension plan investments	\$ 29,667	981	30,648
Contributions made after December 31, 2014 but before September 30, 2015	45,115	1,491	46,606
Total	<u>\$ 74,782</u>	<u>2,472</u>	<u>77,254</u>
	<i>Deferred Inflows of Resources</i>		
	<i>City</i>	<i>Component Unit - ACDC</i>	<i>Total</i>
Differences between expected and actual experience	\$ 2,317	77	2,394
Total	<u>\$ 2,317</u>	<u>77</u>	<u>2,394</u>

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

The amount \$46,606 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Net deferred outflows (inflows) of resources</u>
2015	\$ 7,120
2016	7,120
2017	7,120
2018	7,120
2019	(226)
Thereafter	-
Total	<u>\$ 28,254</u>

B. SUPPLEMENTAL DEATH BENEFITS FUND

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2015, 2014 and 2013 were \$3,311, \$3,179 and \$3,229, respectively, which equaled the required contributions each year.

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

SCHEDULE OF CONTRIBUTION RATES (RETIREE-only portion of the rate)

<i>Plan/ Calendar Year</i>	<i>Annual Required Contribution (Rate)</i>	<i>Actual Contribution Made (Rate)</i>	<i>Percentage of ARC Contributed</i>
2013	0.05%	0.22%	100.0%
2014	0.04%	0.22%	100.0%
2015	0.04%	0.23%	100.0%

C. ATLANTA FIREFIGHTER'S RELIEF AND RETIREMENT FUND (AFRRF)

A. General Information about the Retirement Plan

1. Plan Description

The City contributes to the retirement plan for firefighters in the Atlanta Fire Department known as the Atlanta Firefighters' Relief and Retirement Fund (the fund). The fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Atlanta Firefighters' Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund

issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained in writing from the Atlanta Firefighters' Relief and Retirement Fund at P.O. Box 669, Atlanta, TX 75551. See that report for all information about the plan fiduciary net position.

2. Benefits Provided

Firefighters in the Atlanta Fire Department are covered by the Atlanta Firemen's Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. Firefighters may retire at age 50 with 20 years for firefighters hired before October 1, 2014. For those hired on or after that date, they may retire at age 55 with 20 years of service. A partially vested benefit is provided for paid firefighters who terminate employment with at least 10 but less than 20 years of service or volunteers who complete service with at least 10 but less than 20 years of service. If a terminated firefighter has a fully or partially vested benefit, he may retire starting on the date he would have satisfied service retirement eligibility if he had remained an Atlanta firefighter. As of the December 31, 2014 actuarial valuation date, the plan effective October 1, 2014 provides a monthly normal service retirement benefit for paid firefighters, payable in a Joint and 90% to Spouse form of annuity, equal to 61% of Highest 60-Month Average Salary plus \$93 for each year of service in excess of 20. The monthly benefit for volunteer firefighters at retirement is equal to \$285.00 per month plus \$14.25 per month for each year of service in excess of 20 payable in a Joint and 90% to Spouse form of annuity.

A retiring paid firefighter who is at least 3.5 years beyond first becoming eligible for service retirement has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

Highest 60-Monthly Average Salary as if he had terminated employment on his selected RETRO DROP benefit calculation date, which is no earlier than the later of the date which is 3.5 years following his earliest eligibility for retirement and the date two years prior to the date he actual retires. Upon retirement, the member will receive, in addition to his monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date he retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

3. Members Covered by the Fund

In the December 31, 2014 actuarial valuation, the following numbers of members (employees and volunteers) were covered by the Fund:

Retirees and beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	7
Active employees and volunteers	<u>24</u>
Total	<u>48</u>

4. Funding Policy

The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City and as a dollar amount for volunteer firefighters by the City.

The funding policy of the Atlanta Firemen's Relief and Retirement Fund requires contributions equal to 13% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City currently contributes 13% of pay for each active firefighter according to the annual City budget process. The City also contributes an additional \$10,440 per year for all active and retired volunteer firefighters. This amount has been contributed since 1994, but is part of the annual City budget process. The actuarial valuation includes the assumption that the City contribution rate will be 13% over the UAAL amortization period and that the contributions for volunteers will continue each year. The costs of administering the plan are paid from the Fund assets.

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. The board selects and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the year ending December 31, 2014, the money-weighted rate of return on pension plan investments was 4.87%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying that the contribution commitment by the firefighters and the assumed City contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

B. Net Pension Liability

The City of Atlanta's net pension liability was measured as December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014.

Total pension liability	\$ 4,335,042
Plan fiduciary net position	<u>3,628,832</u>
City's net pension liability	<u>\$ 706,210</u>
Plan fiduciary net position as a percentage of the total pension liability	83.7%

1. Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	3.50%, plus promotion, step and longevity increases that vary by service
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables for males and for females (sex distinct) projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.13%) and by adding expected inflation (3.5%). In addition, the final 7.5% assumption was selected by "rounding down" and thereby reflects a reduction of 0.13% for adverse deviation. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Net Real Rate of Return</i>
Equities		
Large/all cap domestic	23%	5.45%
Small/mid cap domestic	9%	5.95%
International developed	14%	5.95%
Emerging markets	6%	7.45%
Fixed Income		
Domestic core	15%	0.95%
Other	11%	1.45%
Alternatives		
Specialty	22%	3.45%
Cash		
Total	100%	
Weighted Average		4.13%

2. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. No projection of cash flows was used to determine the discount rate because the December 31, 2014 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 36 years. The UAAL was based on an actuarial value of assets that was \$80,000 less than the plan fiduciary net position as of December 31, 2014. Because of the 36-year amortization period of the UAAL with the lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.5% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

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

The following presents the net pension liability of the City of Atlanta, calculated using the discount rate of 7.5%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	<i>1% Decrease (6.5%)</i>	<i>Current Discount Rate (7.5%)</i>	<i>1% Increase (8.5%)</i>
City's Net Pension Liability	\$ 1,271,612	706,210	237,206

4. Plan Fiduciary Net Position

The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

C. Changes in the Net Pension Liability

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Amounts as of September 30, 2014 ¹	\$ 4,067,230	3,438,243	628,987
Changes for the year:			
Service cost	100,380		100,380
Interest	307,325		307,325
Contributions by the City		87,949	(87,949)
Contributions by the firefighter		77,508	(77,508)
Net investment income		167,862	(167,862)
Benefit payments	(139,893)	(139,893)	-
Administrative expenses		(2,837)	2,837
Net changes	<u>267,812</u>	<u>190,589</u>	<u>77,223</u>
Amounts as of September 30, 2015 ²	<u>\$ 4,335,042</u>	<u>3,628,832</u>	<u>706,210</u>

¹ Measurements for the fiscal year ended September 30, 2014 were taken as of December 31, 2013.

² Measurements for the fiscal year ended September 30, 2015 were taken as of December 31, 2014.

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

For the year ended September 30, 2015, the City's GASB 68 pension expense was \$92,486. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

1. Components of Pension Expense for the Fiscal Year Ended September 30, 2015

Service cost	\$ 100,380
Interest	307,325
Firefighter contributions	(77,508)
Projected earnings on pension plan investments	(258,720)
Amortization of differences between projected and actual earnings on plan investments	18,172
Pension plan administrative expenses	<u>2,837</u>
Total pension expense	<u>\$ 92,486</u>

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

2. Deferred Outflows of Resources and Deferred Inflows of Resources to Be Recognized in Pension Expense in Future Years

	<i>Deferred Outflows of Resources</i>
Net difference between projected and actual earnings on pension plan investments	\$ 72,686
Contributions made after December 31, 2014 but before September 30, 2015	<u>63,077</u>
Total	<u>\$ 135,763</u>

The total of the contributions by the City to the Fund contributed subsequent to the measurement date of the net pension liability, December 31, 2014, through September 30, 2015 is a deferred outflow of resources that will be recognized as a reduction in the net pension liability in the fiscal year ending September 30, 2016.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Year Ended September 30</i>	<i>Net of Deferred Outflows Minus Deferred Inflows</i>
2016	\$ 18,172
2017	18,172
2018	18,171
2019	18,171
2020	-
Thereafter	<u>-</u>
Total	<u>\$ 72,686</u>

NOTE 8 - LONG-TERM OBLIGATIONS

The City issues certificates of obligation and general obligation bonds for the acquisition and construction of major capital facilities. The certificates of obligation and general obligation bonds listed below are direct obligations and pledge full faith and credit of the City. Balances at September 30, 2015 are as follows:

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

	<u>Rate of Interest</u>	<u>Original Issue</u>	<u>Outstanding Sept. 30, 2015</u>
Certificates of Obligation:			
Certificates of Obligation Series 2011			
Used for streets and bridges, vehicles and equipment for public works, and improvements to the water and sewer system. Due serially in varying amounts through August 15, 2021.			
	3.00%	\$ 1,145,000	725,000
General Obligation Bonds:			
General Obligation Refunding Bonds, Series 2011			
Used to refund the outstanding Certificates of Obligation, Series 2004-A and 2004-B			
Due serially in varying amounts through February 15, 2024.			
	2.20% to 4.15%	<u>483,000</u>	<u>338,000</u>
Total bonded indebtedness		<u>\$ 1,628,000</u>	<u>1,063,000</u>

The annual requirements to amortize the long-term obligations bonded debt outstanding at September 30, 2015 are as follows:

<i>Year Ending September 30</i>	<i>Certificates of Obligation</i>		<i>General Obligation Bonds</i>		<i>Total bonded indebtedness</i>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 110,000	20,100	38,000	7,018	148,000	27,118
2017	115,000	16,725	32,000	11,786	147,000	28,511
2018	120,000	13,200	34,000	10,416	154,000	23,616
2019	125,000	9,525	36,000	8,964	161,000	18,489
2020	125,000	5,775	37,000	7,449	162,000	13,224
2021-2024	<u>130,000</u>	<u>1,950</u>	<u>161,000</u>	<u>13,633</u>	<u>291,000</u>	<u>15,583</u>
	<u>\$ 725,000</u>	<u>67,275</u>	<u>338,000</u>	<u>59,266</u>	<u>1,063,000</u>	<u>126,541</u>

Installment notes payable

The City has issued certificates of obligation, general obligation refunding bonds and installment notes payable for the purposes of water and sewer system improvements. These liabilities are payable by the Water and Sewer fund system revenues. At September 30, 2015 these debts are comprised of the following individual items:

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

	<u>Rate of Interest</u>	<u>Original Issue</u>	<u>Outstanding Sept. 30, 2015</u>
Certificates of Obligation:			
Certificates of Obligation, Series 2000. For improvements to waterworks and sanitary sewer system and paving of roads, Due serially in varying amounts, through February, 2020.			
	5.45% to 7.25%	\$ 1,500,000	580,000
Certificates of Obligation, Series 2014. To relocate water and sewer mains, Due serially in varying amounts through August, 2024. Outstanding balance is shown including bond premium of \$16,807.			
	2.00% to 2.50%	\$ 1,080,000	985,000
General Obligation Refunding Bonds			
General Obligation Refunding Bonds, Series 2011. To refund outstanding bond issues Due serially in varying amounts through February 15, 2030.			
	2.20% to 4.15%	<u>6,517,000</u>	<u>5,307,000</u>
Total bonded indebtedness		<u>\$ 9,097,000</u>	<u>6,872,000</u>

The annual requirements to amortize all Enterprise Fund bonded debt outstanding at September 30, 2015 are as follows:

Year Ending Sept. 30	Certificates of Obligation Series 2011 and 2014			General Obligation Refunding Bonds Series 2011		Total Bonded Indebtedness		
	Bond					Bond		
	Principal	Premium	Interest	Principal	Interest	Principal	Premium	Interest
2016	\$ 200,000	1,868	52,923	354,000	112,860	554,000	1,868	165,783
2017	215,000	1,868	44,767	266,000	200,030	481,000	1,868	244,797
2018	220,000	1,868	36,043	278,000	188,742	498,000	1,868	224,785
2019	230,000	1,868	26,800	289,000	176,977	519,000	1,868	203,777
2020	240,000	1,868	17,050	302,000	164,714	542,000	1,868	181,764
2021-2025	460,000	7,467	28,575	1,712,000	620,426	2,172,000	7,467	649,001
2026-2030				2,106,000	225,763	2,106,000		225,763
Total	<u>\$ 1,565,000</u>	<u>16,807</u>	<u>206,158</u>	<u>5,307,000</u>	<u>1,689,512</u>	<u>6,872,000</u>	<u>16,807</u>	<u>1,895,670</u>

The City has a state infrastructure loan to fund utility relocation and improvements and an equipment note payable at September 30, 2015. The details of the loans are as follows:

	<u>Rate of Interest</u>	<u>Original Issue</u>	<u>Outstanding Sept. 30, 2015</u>
Installment notes payable:			
Installment note payable - used for utility relocation and improvements; term of 7 years; payable \$47,199 annually to 2019.			
	4.70%	<u>\$ 500,000</u>	<u>168,539</u>
Total installment notes payable		<u>\$ 500,000</u>	<u>168,539</u>

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

The annual requirements to retire Enterprise fund installment notes payable outstanding as of September 30, 2015 are presented in the following schedule.

<u>Year Ending</u> <u>September 30</u>	<u>Installment Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 39,278	7,921
2017	41,124	6,075
2018	43,057	4,142
2019	45,080	2,119
	<u>\$ 168,539</u>	<u>20,257</u>

Installment notes payable for component units at September 30, 2015 are as follows:

	<u>Original</u> <u>Issue</u>	<u>Outstanding</u> <u>Sept. 30, 2015</u>
Component Unit - installment notes payable:		
<i>Atlanta Economic Development Corporation</i>		
Installment note payable - used to payoff existing debt, finance improvements to building and incentive loan, term of 11 years; payable in varying amounts annually to 2024; interest rate of 3.36%.	\$ 2,277,000	1,923,000
<i>Atlanta City Development Corporation</i>		
Installment note payable - used for waterline relocation and improvements, term of 15 years; payable \$47,199 annually to 2019, interest rate 4.7%	<u>500,000</u>	<u>168,539</u>
Total installment notes payable	<u>\$ 2,777,000</u>	<u>2,091,539</u>

The annual requirements to retire component units installment notes payable outstanding as of September 30, 2015 are presented in the following schedule.

<u>Requirement</u> <u>Year Ending</u> <u>September 30</u>	<u>Component Units</u> <u>Installment Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 226,278	72,534
2017	234,124	64,405
2018	242,057	55,987
2019	251,080	47,277
2020	213,000	38,237
2021-2024	<u>925,000</u>	<u>78,994</u>
	<u>\$ 2,091,539</u>	<u>357,434</u>

Changes in long-term liabilities

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

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

	Balance as Restated October 1, 2014	Additions	Retirements/ Deductions	Total Balance September 30, 2015	Long-term Balance	Due Within One Year
Governmental activities:						
Certificates of obligation	\$ 835,000		(110,000)	725,000	615,000	110,000
General obligation refunding bonds	375,000		(37,000)	338,000	300,000	38,000
Installment loans	53,997		(53,997)	-		-
Accrued compensated absences	166,695	83,465	(68,074)	182,086	163,665	18,421
Net pension liability	25,247		(5,511)	19,736	19,736	-
Governmental activities Long-term liabilities	<u>\$1,455,939</u>	<u>83,465</u>	<u>(274,582)</u>	<u>1,264,822</u>	<u>1,098,401</u>	<u>166,421</u>
Business-type activities:						
Certificates of obligation	\$ 1,755,000		(190,000)	1,565,000	1,365,000	200,000
Issuance premiums	18,675		(1,868)	16,807		
General obligation refunding bonds	5,653,000		(346,000)	5,307,000	4,953,000	354,000
Installment loans	206,054		(37,515)	168,539	129,261	39,278
Accrued compensated absences	42,385	17,063	(14,351)	45,097	45,097	-
Net pension liability	11,809		(2,581)	9,228	9,228	
Business-type activity Long-term liabilities	<u>\$7,686,923</u>	<u>17,063</u>	<u>(592,315)</u>	<u>7,111,671</u>	<u>6,501,586</u>	<u>593,278</u>
Component Units:						
Installment loans	\$2,439,219		(347,680)	2,091,539	1,865,261	226,278
Net pension liability	1,225		(238)	987	987	
Long-term liabilities	<u>\$2,440,444</u>	<u>-</u>	<u>(347,918)</u>	<u>2,092,526</u>	<u>1,866,248</u>	<u>226,278</u>

NOTE 9 - RISK MANAGEMENT

The City is a member of the Texas Municipal League Intergovernmental Risk Pool (TML Pool) for the provision of general liability, property, errors and omissions, law enforcement liability, automobile, and worker's compensation insurance. The TML Pool was established by the various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. Losses under a stated amount that are incurred by TML members are paid with TML Pool funds. Claims in excess of this limit are paid under terms of insurance policies obtained by the TML Pool. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board or by the State Board of Insurance of Texas. Such rates are estimated to include all claims expected to occur during the policy period, including claims incurred but not reported. The TML has established claims reserves for each of the types of insurance offered. Thus, although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contributed rate for subsequent years. Members are also entitled to returns of contributions if actual results are more favorable than estimated.

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

NOTE 10 - CONTINGENT LIABILITIES

Grant Disallowances

The City participates in federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The compliance audits of these programs for or including the year ended September 30, 2015 have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE 11- NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

The Governmental Accounting Standards Board recently issued the following statements not yet implemented by the City of Atlanta, Texas. The statements which might impact the City are as follows:

Statement No. 72, *Fair Value Measurement and Application*, issued February 2015 will be effective for the year ending September 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* – issued June 2015 will be effective for the fiscal year ending September 30, 2017. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in the notes to financial statement and required supplementary information by all similarly situated employers and nonemployer contribution entities. It also clarifies the application of provisions of Statements 67 and 68.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued June 2015 will be effective for the fiscal year ending September 30, 2016. The objective of this statement is to identify – in the context of the current governmental financial reporting

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

environment – the hierarchy of general accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

Statement No. 77, *Tax Abatement Disclosures*, issued August 2015 will be effective for the fiscal year ending September 30, 2017. This Statement requires disclosure of tax abatement information about (a) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The Statement requires governments that enter into tax abatement agreements to disclose brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, the types of commitments made by tax abatement recipients, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. For tax abatement agreements of other governments, a reporting government should disclose the names of the governments that entered into the agreements, the specific taxes being abated and the gross dollar amount of the taxes abated during the period. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government’s financial position and economic condition.

NOTE 12- PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective for the year ending September 30, 2015. The Statements require the liability of employers for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees’ past period of service (total pension liability), less the amount of the pension plan’s fiduciary net position.

Therefore, the Governmental Activities financial statements reflect prior period adjustments to beginning Net Position (1) to remove the prior year amount recorded as the Net Pension Obligation, \$53,058, (2) to record the proper amount as the Net Pension Liability, (\$25,247), as of December 31, 2013, and (3) to record the beginning deferred outflows of resources, \$45,595 for contributions made between the measurement date and fiscal year-end, for a net total of \$73,406.

The Business-type Activities financial statements reflect prior period adjustments to beginning Net Position (1) to remove the prior year amount recorded as the Net Pension Obligation, \$18,910, (2) to record the proper amount as the Net Pension Liability, (\$11,809), as of December 31, 2013, and (3) to record the beginning deferred outflows of resources, \$21,318 for contributions made between the measurement date and fiscal year-end, for a net total of \$28,419.

CITY OF ATLANTA, TEXAS

Notes to the financial statements continued.

The Component Units' financial statements reflect prior period adjustments to beginning Net Position (1) record the proper amount as the Net Pension Liability, (\$1,225), as of December 31, 2013, and (2) to record the beginning deferred outflows of resources, \$2,212 for contributions made between the measurement date and fiscal year-end, for a net total of \$987.

NOTE 13 - SUBSEQUENT EVENTS

The City adopted Ordinance 2011-06 in September, 2011, which established an automatic inflationary increase in the minimum base water rate and the charge for additional 1,000 gallons units to increase each year by 4%. The increase will be effective on the first day of October of each year thereafter.

In October 2015 the City approved a financing contract with a local bank of \$140,000 for the purchase of an ambulance.

In January 2016 the ACDC board approved a loan of \$20,500 to a property management company for a housing tax credit application. The loan is to be paid back over five years with interest at 3%.

NOTE 14 – MANAGEMENT REVIEW

In preparing these financial statements, management of the City has evaluated events and transactions for potential recognition or disclosure through, April 14, 2016, the date the financial statements were available to be issued.

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Required Supplementary Information

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CITY OF ATLANTA, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015

TMRS PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 YEARS

	<u>2014</u>
Total Pension Liability	
Service cost	\$ 117,450
Interest	213,286
Difference between expected and actual experience	(2,936)
Benefit payments	<u>(89,311)</u>
Net change in total pension liability	238,489
Total pension liability - beginning	<u>3,032,868</u>
Total pension liability - ending	<u><u>3,271,357</u></u>
 Plan Fiduciary Net Position	
Contributions - employer	94,395
Contributions - employee	72,388
Net investment income	171,311
Benefit payments	(89,311)
Administrative expenses	(1,789)
Other	<u>(147)</u>
Net change in plan fiduciary net position	246,847
Plan fiduciary net position - beginning	<u>2,994,589</u>
Plan fiduciary net position - ending	<u><u>3,241,436</u></u>
 City's net pension liability - ending	 \$ 29,921
 Plan fiduciary net position as a percentage of the total pension liability	 99.09%
 Covered payroll for year	 \$ 1,447,762
 City's net pension liability as a percentage of covered payroll	 2.07%

Notes to the schedule

¹ This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only available information is shown. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

CITY OF ATLANTA, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015

TMRS PLAN
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS

	<i>City</i> <u>contributions</u>
Actuarially determined contributions	\$ 75,186
Contributions in relation to the actuarially determined contribution	<u>75,186</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 1,456,506
Contributions as a percentage of covered employee payroll	5.16%

Notes to Schedule of Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 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:

Notes There were no benefit changes during the year.

CITY OF ATLANTA, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2015

FIRE PENSION PLAN SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS LAST 10 YEARS

	<i>Total Pension Liability</i>
Total Pension Liability	<u>\$ 4,067,230</u>
Service cost	100,380
Interest	307,325
Benefit payments	<u>(139,893)</u>
Net change in total pension liability	267,812
Total pension liability - beginning	<u>4,067,230</u>
Total pension liability - ending	<u><u>4,335,042</u></u>
 Plan Fiduciary Net Position	
Contributions by the City	87,949
Contributions by the firefighter	77,508
Net investment income	167,862
Benefit payments	(139,893)
Administrative expenses	<u>(2,837)</u>
Net change in plan fiduciary net position	190,589
Plan fiduciary net position - beginning	<u>3,438,243</u>
Plan fiduciary net position - ending	<u><u>\$ 3,628,832</u></u>
 City's net pension liability - ending	 \$ 706,210
 Plan fiduciary net position as a percentage of the total pension liability	 83.7%
 Covered payroll for year	 \$ 602,486
 City's net pension liability as a percentage of covered payroll	 117.2%

Notes to the schedule

¹ This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only available information is shown. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

² Determined from the ending total pension liability as of December 31, 2014, using the roll back procedure allowed for the initial year of implementing GASB 68.

CITY OF ATLANTA, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2015

FIRE PENSION PLAN SCHEDULE OF CONTRIBUTIONS LAST 10 YEARS

<i>Fiscal year end</i>	<i>City contributions</i>
12/31/2005	\$ 53,107
12/31/2006	54,768
12/31/2007	59,029
12/31/2008	81,846
12/31/2009	90,820
12/31/2010	89,614
12/31/2011	89,591
12/31/2012	79,299
12/31/2013	not available
12/31/2014	82,729

Notes: This schedule is presented on a prospective basis in accordance with GASB 67, paragraph 50. City contributions are not actuarially determined.

Overall Internal Control and Compliance

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HOLLIDAY, LEMONS & COX, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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*

Honorable Mayor and
Members of the City Council
Atlanta, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the statements 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Atlanta, Texas as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Atlanta, Texas' basic financial statements and have issued our report thereon dated April 14, 2016. Our report includes a reference to other auditors who audited the financial statement of the Atlanta Firefighter's Relief and Retirement Fund, as described in our report on the City of Atlanta, Texas' financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Atlanta Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Atlanta, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Atlanta, Texas' 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 a combination of deficiencies, in internal controls such that there is a reasonable possibility that a material misstatement of the entity'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

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AICPA'S PRIVATE COMPANIES PRACTICE SECTION

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or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies. References 2015-001 and 2015-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Atlanta, Texas' financial statements are free of 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*.

City of Atlanta, Texas' Response to Findings

City of Atlanta, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings. City of Atlanta, Texas's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



April 14, 2016

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CITY OF ATLANTA, TEXAS

SCHEDULE OF FINDINGS - *FINANCIAL STATEMENT AUDIT* For the Year Ended September 30, 2015

Compensation Reporting for Fire Pension Actuarial Valuation *Reference 2015-001*

Condition

Incorrect wages were provided to the actuary of the Fire Pension plan for the December 31, 2014 actuarial valuation. The information was provided to the actuary by the Fire Pension Board and was not reviewed by the Finance Department to ensure the accuracy and completeness of the information, as well as compliance with plan provisions. During the audit when we noted the errors involving the reported wages, revised compensation information was furnished to the actuary by the City, however the revised information reported compensation for the fiscal year ending September 30, 2014, when it should have been reported for the 2014 calendar year.

Criteria

The plan defines service pay as gross wages including sick leave, vacation, training/certification pay, longevity and overtime pay. The City reports compensation information to the plan's actuary on an annual basis. Amounts reported to the actuary should agree to wages as reported in the City's payroll records and to the plan's definition of eligible service pay. Amounts that meet the definition of service pay should be reported to the actuary. Compensation amounts provided to the plan actuary should be reported for the date on which the actuarial valuation is performed.

Cause

The information reported to the actuary for the Fire Pension plan was not reviewed for accuracy, for compliance with plan provisions, or to ensure compensation was reported for the proper period. Financial information of the City was released by another department of the City.

Effect

Benefit and liability calculations could be materially misstated if items such as vacation, training/certification pay, longevity and overtime pay are not included in payroll information or the wrong period is used to compute the wage information and used to calculate benefits and liabilities for the Fire Pension Plan.

Recommendation

The Finance Department should review any financial information that is provided to outside parties prior to its release.

Views of Responsible Officials and Planned Corrective Actions

Management concurs that there were reporting errors submitted to the actuary of the Fire Pension Plan, and management will work with the Fire Pension auditor and actuary to insure procedural modifications are in place to provide error free data reporting.

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CITY OF ATLANTA, TEXAS

SCHEDULE OF FINDINGS - *FINANCIAL STATEMENT AUDIT* For the Year Ended September 30, 2015

Payments Received by Municipal Court *Reference 2015-002*

Condition

Municipal court payments are being received by the municipal court clerk, instead of all payments being made directly by the payor to the cashiers at the collections counter at City hall. Payments accepted by the municipal court clerk are submitted periodically to the cashiers, but not on a daily basis. Cash and check deposit reports in the municipal court software system are not reviewed or reconciled to the City's general ledger.

Criteria

All cash and check payments received by the City should be accepted at the collections counter and should be deposited daily. Only departments which are physically located outside of City hall, such as the library, should be collecting payments directly, and even then should still be depositing the amounts daily or sending the monies and the appropriate reports to City hall on a daily basis.

The municipal court reports of the collections should be reviewed and reconciled to the general ledger to ensure all payments are properly posted.

Cause

Cash and check payments paid by offenders for tickets and fines were not being deposited on a daily basis. The payments were being kept in an unlocked desk drawer and being provided for deposit periodically. The municipal court clerk is not submitting a report of the collections posted to the finance department for review and reconciliation.

Effect

Theft or misuse of City assets could occur without knowledge of City management.

Recommendation

We recommend all payors be sent to the collections counter to pay the respective amounts. After payment, the receipt should be presented to the municipal court clerk to evidence properly in the court records. All payments received should be provided for deposit on a daily basis. All collections recorded in subsidiary ledgers should be reviewed and reconciled to the general ledger to ensure accuracy and completeness.

Views of Responsible Officials and Planned Corrective Actions

Management concurs that increased financial controls should be implemented. The City uses two software providers, one for Court and one for financial accounting. Management implemented a daily reconciliation to insure each software system's reported receipts match. Further, management directed staff to investigate upgrading Court software to a system that will automatically upload daily receipts into the Incode financial software system.

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