



Control Number: 47012



Item Number: 5

Addendum StartPage: 0



# Harkins Engineering, Inc.

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PUBLIC UTILITY COMMISSION  
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Texas Public Utility Commission  
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1701 North Congress  
P.O. Box 13326  
Austin, Texas 78711-3326

RE: Application of Mountain City, Texas to Purchase and transfer/amend the CCN of Mountain City Oaks Water System, CCN No. 11427. Docket No. 47012

Dear Mr. Harris:

This letter is to formally respond to Public Utility Commission (PUC) First Request for Information.

**Question:**

1.1 Mountain City provided audited financial statements for the years 2013, 2014, 2015, and the audited letter for the 2016 financials but left out the actual 2016 financial statements. Please provide the financial statements for the year 2016.

**Response:**

Please see the attached Mountain City Annual Financial Report dated September 30, 2016.

**Sponsored by:** Mr. Ralph McClendon, City of Mountain City

Please let me know if you have any additional questions. Thank you for your time.

Sincerely,

Victoria Richards Harkins, Ph.D., P.E.  
President

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**MOUNTAIN CITY  
ANNUAL FINANCIAL REPORT  
SEPTEMBER 30, 2016**

**MOUNTAIN CITY**  
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# **JANSEN AND GREGORCZYK**

Certified Public Accountants  
P.O. Box 1778 Kyle, TX 78640  
(512) 268-2749

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Aldermen  
Mountain City

We have audited the accompanying financial statements of the governmental activities of Mountain City, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Mountain City, as of September 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and page 18 respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Jansen and Brzezynski*

Kyle, Texas  
February 28, 2017

# MOUNTAIN CITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### September 30, 2016

Our discussion and analysis of Mountain City (The City), financial performance provides an overview of The City's financial activities for the year ended September 30, 2016. Please read it in conjunction with The City's financial statements, which follow this section.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements: The Statement of Net Position and the Statement of Revenue and Expenditures provide information about the activities of The City as a whole and present a longer-term view of The City's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report The City's operations in more detail than the government-wide statements by providing information about activities for which The City acts solely as a trustee or agent for the benefit of those outside of the government.

#### FINANCIAL HIGHLIGHTS

- During the year, The City's general fund had revenues of \$100,218 compared to total general fund expenses of \$61,778. This results in an increase of revenue over current expenses of \$38,440 for the year ended September 30, 2016.

#### Reporting The City as a Whole

One of the most important questions asked about The City's finances is, "Is The City as a whole better off or worse off as a result of the year's activities"? The Statement of Net Position and the Statement of Activities report information about The City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual method of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report The City's *net position* and changes in them. *Net position* represents the difference between total assets and liabilities and are similar to the total owners' equity presented by a commercial enterprise. The changes in The City's net assets are one way to measure The City's financial health, or *financial position*. Over time, increases or decreases in The City's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other nonfinancial factors, such as changes in the District's property tax, also impact the *overall health* of The City.

In the Statement of Net Position and the Statement of Activities, we divide The City into two kinds of activities:

**Governmental activities-** Most of The City's basic services are reported here, including City Services, Debt Service and general administration. Property taxes and franchise fees finance most of these activities.

#### Reporting The City's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds and not the City as a whole. Some funds are required to be established by State law.

Governmental funds- All of The City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of The City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance The City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the right of the fund financial statements.

## **OVERVIEW OF CITY'S FINANCIAL POSITION AND OPERATIONS**

The City's net position increased by \$38,440 in the year ended September 30, 2016. Table 1 and Table 2 below reflect the net assets and changes in net assets of governmental activities and business-type activities separately.



**Table 1**

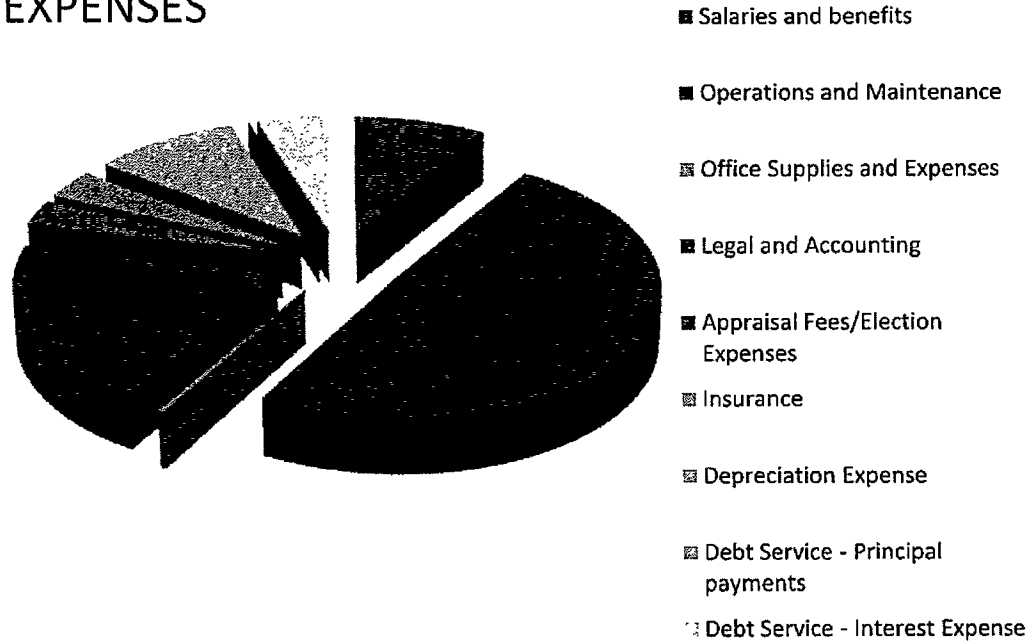
	<b>Governmental Activities</b>	
		<b>(unaudited)</b>
	<b>2016</b>	<b>2015</b>
Current assets	\$ 221,290	\$ 188,003
Capital assets	151,086	157,173
Total assets	<u>\$ 372,376</u>	<u>\$ 345,176</u>
Long-term debt outstanding		
Current liabilities	<u>41,080</u>	<u>52,321</u>
Total liabilities	41,080	52,321
Net assets:		
Invested in capital assets	110,006	104,852
Unrestricted	221,290	188,003
Total net assets	<u>\$ 331,296</u>	<u>\$ 292,855</u>

**Table 2**

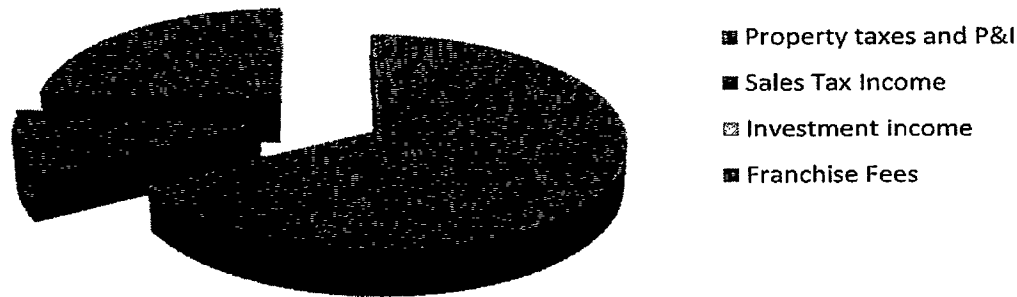
	<b>Governmental Activities</b>	
		<b>(unaudited)</b>
	<b>2016</b>	<b>2015</b>
Revenues:		
Property Taxes	\$ 67,140	\$ 59,143
Interest Income	55	49
Franchise Fees	33,023	30,412
Total Revenues	<u>\$ 100,218</u>	<u>\$ 89,604</u>
Expenses:		
Salaries and Benefits	\$ 5,492	\$ 6,596
Operations and Maintenance	30,416	48,907
Office Supplies and Expenses	238	378
Legal and Accounting	12,423	11,189
Appraisal Fees/Election Expense	1,927	958
Insurance	2,247	2,159
Depreciation	6,087	29,420
Interest Expense	2,948	3,546
Total Expenses	<u>61,778</u>	<u>\$ 103,153</u>
Increase in net assets	<u>\$ 38,440</u>	<u>\$ \$ (13,549)</u>

**GOVERNMENTAL ACTIVITIES**

**EXPENSES**



**REVENUES**



Total assets of the total primary governmental fund of The City increased by \$38,440, primarily due to an increase in sales tax revenue and franchise fees. Amounts invested in capital assets (net of debt) were \$110,006 while unrestricted assets, those funds available for day-to-day operations were \$221,290. The City has sufficient funds to pay the expenses of its operations.

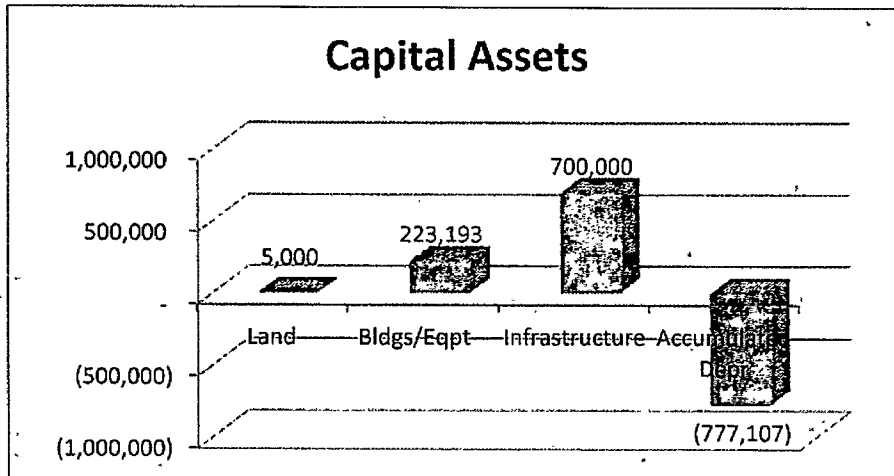
#### General Fund Budgetary Highlights

The City prepares an annual operating budget for the coming fiscal year which begins in October. The Board of Aldermen may revise, if necessary, the Budget during the year to allocate additional resources identified during the year for additional needs that develop. The analysis of the revisions is reflected on the Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-(Budgetary)-General Fund following the Notes to the Combined Financial Statements.

#### Capital Asset and Debt Administration

##### Capital Assets

At September 30, 2016, The City had \$151,086 net of depreciation, invested in a broad range of capital assets, including buildings, infrastructure, land and equipment.



As of September 30, 2016, The City has not incurred any long-term debt since its inception.

##### Long-term Debt

The City's long-term debt at September 30, 2016, net of the current portion, totaled \$29,208 for notes payable. The current portion of the long-term debt was \$11,872. Long-term debt activity for the year consisted of principal and interest payments on this note. Detailed information is included in the Notes to the Financial Statements.

#### Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2015-2016 budget, tax rates and fees that will be charged for the business-type activities. Costs of subcontracting services, such as law enforcement and solid waste pick-up, are particularly impacted by fuel and labor costs. Increases in taxable valuation are also factored into the tax rate paid by property owners.

### **Contacting The City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of The City's Finances and to show The City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact The City office at:

Ralph McClendon  
Mountain City  
101 Mountain City Drive  
Mountain City, TX 78610

MOUNTAIN CITY  
STATEMENT OF NET POSITION  
AS OF SEPTEMBER 30, 2016

	General Fund	Adjustments (Note 3)	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 4,497		\$ 4,497
Investments	205,868		205,868
Escrow Deposit	10,000	-	10,000
Taxes Receivable	925		925
Capital assets			-
Land and Easements	-	5,000	5,000
Other capital assets, net of depreciation	-	146,086	146,086
Net Capital Assets			151,086
Total Assets	<u>\$ 221,290</u>		<u>\$ 372,376</u>
<b>LIABILITIES</b>			
Long-term liabilities:			
Due within 1 year	11,872		11,872
Due in more than 1 year	29,208		29,208
	<u>41,080</u>	-	<u>41,080</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	924	(924)	-
	42,004		41,080
<b>FUND BALANCES/NET POSITION</b>			
<b>FUND BALANCES</b>			
Unrestricted	179,286	(179,286)	-
Total fund balances	<u>179,286</u>		
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 221,290</u>		
<b>NET POSITION:</b>			
Invested in capital assets			110,006
Unrestricted			221,290
			331,296
			<u>\$ 372,376</u>

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

MOUNTAIN CITY  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT  
OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Adjustments (Note 3)	Statement of Activities
<b>Expenditures/Expenses:</b>			
Salaries and benefits	\$ 5,492		5,492
Operations and Maintenance	30,416		30,416
Office Supplies and Expenses	238		238
Legal and Accounting	12,423		12,423
Appraisal Fees/Election Expenses	1,927	-	1,927
Insurance	2,247	-	2,247
Depreciation Expense	-	6,087	6,087
Debt Service - Principal payments	11,241	(11,241)	-
Debt Service - Interest Expense	2,948		2,948
Total Expenditures	<u>\$ 66,932</u>		<u>\$ 61,778</u>
<b>Revenues:</b>			
Property taxes and P&I	66,216	924	67,140
Sales Tax Income	9,026		9,026
Investment income	55	-	55
Franchise Fees	23,997	-	23,997
Total general revenues	<u>\$ 99,294</u>	<u>924</u>	<u>100,218</u>
Revenue over Expenditures	32,362		38,440
Beginning Net Position	<u>146,924</u>		<u>292,856</u>
Ending Net Position	<u><u>\$ 179,286</u></u>		<u><u>\$ 331,296</u></u>

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

# **MOUNTAIN CITY**

## **Notes to the Financial Statements as of September 30, 2016**

### **NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Mountain City (The City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of The City's accounting policies are described below.

#### **A. Financial Reporting Entity**

Mountain City is a Texas Type A General Law Municipality and was incorporated in 1984. It has a population of approximately 700 people.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of The City's operations include how the budget is adopted, whether debt is secured by general obligation of The City, The City's duty to cover any deficits that may occur, and supervision over the accounting functions. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from The City reporting entity.

#### **B. Basis of Presentation-Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City's funds are grouped into a general fund for financial statement presentations purposes. Governmental funds include the general fund.

#### **C. Basis of Accounting**

##### **Government Wide Financial Statements**

The statement of net position and the statement of activities display information about The City, the primary government, as a whole.

The government-wide statements are prepared using the economic resources measurement focus and the accrual method of accounting. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between government-wide statements and the statements for governmental funds.

#### **D. Fund Financial Statements**

Fund financial statements report detailed information about The City. The focus of governmental and fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

## **Governmental Funds**

Governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

## **Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisitions, construction or improvements of those assets. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the organization or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the organization's policy to use restricted resources first and then unrestricted resources as they are needed. When both unassigned and committed or assigned funds are available for expenditure, committed or assigned funds are used first.

## **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

## **Revenue Recognition**

In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectable within the current year or within one month of year-end available to pay obligations of the current period). This includes investment earnings and state-levied locally shared taxes.

Property taxes, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax receivables are recorded and deferred until they become available.

Other revenues, including franchise fees, are recorded as revenue when received in cash because they are generally not measurable until actually received.

## **Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

## **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of The City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable assets are as follows: buildings and infrastructure - 30 years; equipment- 5 years.



### **Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash in all funds.

### **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.

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.

### **Receivables**

Receivables at September 30, 2016 consist of property taxes due but not received.

## **NOTE 2- COMPLIANCE AND ACCOUNTABILITY**

### **Budget Requirements, Accounting, and Reporting**

- Annual budgets are adopted for all of the City's funds. Under State law, the mayor submits an annual budget to the Board for consideration and approval no later than the beginning of the fiscal year in which the budget applies.
- Such budget is based on expected expenditures by program within a fund and estimated resources by source for all funds. All budget revisions at this level are subject to final review and approval by the Board of Aldermen. Within these control levels, the Mayor may transfer appropriations without Board approval. Unencumbered appropriation balances lapse at year-end and revert to the respective funds from which they were originally appropriated, thus becoming available for future appropriation.

### NOTE 3 - ADJUSTMENTS TO CONVERT FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE

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

Governmental funds total fund balance	\$ 179,286
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	151,086
Taxes receivables deferred in the fund financial statements and not in the government-wide financial statements	924
Total Net Position	<u>\$ 331,296</u>

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

Excess of revenues over expenditures	\$ 32,362
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 as depreciation expense.	
Change in taxes receivable	924
Principal payments not reflected in the general fund	11,241
Depreciation Expense	<u>(6,087)</u>
Change in Net Position - Government Fund	<u>\$ 38,440</u>

### NOTE 4 -DEPOSITS AND INVESTMENTS

The City's deposits exposed to concentrations of credit risk consist of cash, which is deposited in a local financial institution. At September 30, 2016 all of The City's cash was covered by FDIC insurance.

At September 30, 2016, the City had \$210,365, invested in cash and cash equivalents.

**Interest Rate Risk.** The City has a formal investment policy in place. The City's cash and cash equivalents are currently invested in a savings and an interest-bearing checking account.

### NOTE 5 -CHANGES IN FIXED ASSETS

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

	9/30/15 Beginning Balance	Increases	Decreases	9/30/16 Ending Balance
<b>Governmental activities</b>				
Not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Other Capital Assets:				
Buildings and Equipment	216,393	-	-	216,393
Equipment	6,800			6,800
Infrastructure	700,000			700,000
Accumulated Depreciation:				
Total Accumulated Depreciation	(771,020)	-	(6,087)	(777,107)
Net other capital assets	152,173	-	(6,087)	146,086
Net capital assets	<u>\$ 157,173</u>	<u>\$ -</u>	<u>\$ (6,087)</u>	<u>\$ 151,086</u>

## NOTE 6 - PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in The City. The tax assessed value for October 2015 was \$53,488,705. The initial tax levy of October 1, 2015 set a tax rate of \$.1230 per \$100 of assessed valuation at 100% of assumed market value. The total levy was \$65,791. Taxes are due in January following the October 1 statement date. Tax collections during the year ended September 30, 2016 for the tax year 2015 were 99.4% of the total tax levy for that year. Delinquent property taxes receivable at year-end that are deemed to be ultimately collectible are recorded as deferred revenue. Assessed values are established by the County-wide Appraisal District at 100% of its appraised value and must be reviewed every three years.

## NOTE 7 – DEBT SUMMARY

As of September 30, 2016 the debt summary for the organization is as follows:

Type	Issue Date	Maturity Date	Interest Rate	Original Amount	Balance 9/30/15	Additions	Retirements	Balance 9/30/16	Due w/in 1 year
Loan	2009	2019	5.50%	\$ 107,000	\$ 52,321	\$ -	\$ 11,241	\$ 41,080	\$ 11,872
				<u>\$ 107,000</u>	<u>\$ 52,321</u>	<u>\$ -</u>	<u>\$ 11,241</u>	<u>\$ 41,080</u>	<u>\$ 11,872</u>

### Future Debt Service

Year Ending 9/30/16	Bonds Payable		
	Principal	Interest	Total
2017	11,873	2,017	13,890
2018	12,539	1,351	13,890
2019	16,668	694	17,362
	<u>41,080</u>	<u>4,062</u>	<u>\$ 45,142</u>

## NOTE 8 – SUBSEQUENT EVENTS

The City has evaluated subsequent events as of February 28, 2017, the date the financial statements were available to be issued.

## NOTE 9 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which The City carries commercial insurance. The City has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three fiscal years.

## NOTE 10 – NET POSITION and FUND BALANCES

The government-wide and fund financial statements utilize a net position presentation. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is categorized as net investment in capital assets, restricted and unrestricted.

1. **Net Investment in Capital Assets** is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital assets related debt.

2. **Restricted Assets** are liquid assets (generated from revenues and not bond proceeds) which have third party (statutory, bond covenant, or granting agency) limitations on their use. The City would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition. As of September 30, 2016 there are no restricted assets.

3. **Unrestricted Assets** represent unrestricted liquid assets. The City's management may have plans or tentative commitments to expend resources for certain purposes in future periods. Further legal action will be required to authorize the actual expense or expenditures.

#### **NOTE 11 – OTHER MATTERS**

At year end, the City was in the process of purchasing a Water System and securing financing for the project. A deposit of \$10,000 was paid toward the purchase price in May, 2016 and is reflected on the Statement of Net Position. As of year end the transaction was not final. The purchase price of the water system is \$390,000 and is expected to close mid year 2017.

MOUNTAIN CITY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Ad Valorem Tax Revenue	\$ 59,478	59,478	\$ 66,216	\$ 6,738
Sales Tax Revenue	8,600	8,600	9,026	426
Investment income	50	50	55	5
Franchise Fees	21,050	21,050	23,997	2,947
Total revenues	<u>89,178</u>	<u>89,178</u>	<u>99,294</u>	<u>10,116</u>
Expenditures:				
Salaries and Benefits	11,000	11,000	5,492	5,508
Operations and Maintenance	45,838	45,838	30,416	15,422
Office Supplies and Expenses	500	500	238	262
Legal and Professional Fees	13,050	13,050	12,423	627
Appraisal Fees/Election Expense	2,700	2,700	1,927	773
Insurance	2,200	2,200	2,247	(47)
Debt Service	13,890	13,890	14,189	(299)
Total Expenditures	<u>89,178</u>	<u>89,178</u>	<u>66,932</u>	<u>22,246</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	-	-	32,362	32,362
Fund Balances - Beginning	<u>146,924</u>	<u>146,924</u>	<u>146,924</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 146,924</u>	<u>\$ 146,924</u>	<u>\$ 179,286</u>	<u>\$ 32,362</u>