



Control Number: 47283



Item Number: 1

Addendum StartPage: 0



Application for Sale, Transfer, or Merger of a Retail Public Utility

Pursuant to Chapter 13.251 of the Texas Water Code

RECEIVED
2017 JUN 14 AM 11:22

PUBLIC UTILITY COMMISSION
FILING CLERK

Docket Number: 47283

(this number will be assigned by the Public Utility Commission after your application is filed)

7 copies of the application, including the original, along with one copy of the portable electronic storage medium (such as CD or DVD) containing the GIS data shall be filed with

Public Utility Commission of Texas
Attention: Filing Clerk
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

No later than seven days after filing the application for the boundary change, provide a copy of each paper map and a portable electronic storage medium (such as CD, flash drive or DVD) containing complete and identical data to the portable electronic storage medium submitted above to

Texas Natural Resources Information System
1700 N. Congress Ave, Room B40
Austin, Texas 78701

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Part A – General Information

*RN# 101256840 *CN# 603625096 * (PRIOR TCEQ ID numbers)

1. Proposed action of application (check all the boxes that apply):

☒ Sale of ☒ All ☐ Portion of the ☒ Water system(s) under CCN No.: 12945
☐ Acquisition ☐ Sewer system(s) under CCN No.:
☐ Lease/Rental

☐ Transfer of ☐ All ☐ Portion of the ☐ Certificated water service area – CCN No.:
☐ Certificated sewer service area – CCN No.:

If only a portion of a system or certificated service area is affected by this transaction, please specify the areas or subdivision involved:

and to:

☐ Obtain a CCN for the transferee (purchaser) – indicate if purchaser will take the seller's CCN
☐ Amend the transferee's CCN No.:
☒ Merge or consolidate public utilities City of Kountze is acquiring Ranchland water system
☒ Cancel CCN of the transferor (seller)

2. Proposed effective date of this transaction: 9/1/2017

(Must be at least 120 days after proper notice is provided)

Part B – Current Service Provider or Seller Information

Questions 3 through 5 apply to the transferor (current service provider or seller)

3. For the current CCN holder or service provider please indicate:

A. Name: Ranchland Property Owners' Association, Inc.
(Individual, Corporation or Other Legal Entity)

who is a(n): of ☐ Individual ☐ Corporation ☐ WSC ☒ HOA or POA ☐ Other

B. Utility Name (if different than above): Ranchland
Address: (none - unknown) Telephone: (AC)

C. Contact person. Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney or accountant.

Name: Sandy Elms, Sec. of RPOA, Inc. Title: Sec.
Address: PO Box 1248, Kountze TX 77625 Telephone: (AC) (409) 656-1551

Fax: (409) 833-8363

Email: sgelms@apolloenvironmental.com

4. About the last rate increase for the system or facilities being transferred:

A. What was the effective date of the last rate increase?

1/1/2009.

B. Was notice of this increase provided to the Public Utility Commission of Texas (commission or PUC) or a predecessor regulatory authority?

☒ No ☐ Yes- Application/Docket Number: _____ Date _____

5. Please provide a list of all customers affected by this transaction who have deposits held by the transferor or seller utility, if any, and include the following information (attach additional sheets if necessary):

Name and Address of Utility Customer	Date of Deposit	Amount of Deposit	Amount of Unpaid Interest on Deposit
NA			

Part C – Purchaser or Transferee Information

Questions 6 through 16 refer to the transferee or purchaser.

6. For the person or entity acquiring the facilities and/or CCN:

Applicant: City of Kountze

(Individual, Corporation, or Other Legal Entity)

Utility Name: _____

(If different than above)

Utility Address: PO Box 1887 1025 N. Pine, Kountze, TX 77625

Fax: (409) 246-2319 Email: rhckh@sbcglobal.net Telephone (AC): (409) 246-3463

CCN Numbers held prior to the filing of this application: _____

7. Check the appropriate box and provide information regarding the legal status of the transferee applicant:

☐ Individual

☐ Home or Property Owners Association

☐ Partnership; attach copy of partnership agreement

☐ Corporation; provide charter number as recorded with the Office of the Secretary of State for

Texas: _____

☐ Non-profit; member owned, member-controlled Cooperative Corporation (Article 1434(a) Water Sewer Service Corporation); provide charter number: _____

<input checked="" type="checkbox"/>	Municipally-owned utility
<input type="checkbox"/>	District (MUD, SUD, WCID, etc.)
<input type="checkbox"/>	County
<input type="checkbox"/>	Other (please explain):

8. If the applicant is an *Individual* or sole proprietorship, provide the following information. If not, skip to the next question.

Name:		Email:	
Address			
Telephone (AC):		Fax (AC):	

9. If the applicant is other than an *Individual*, provide the following information regarding the officers or partners of the legal entity applying for the transfer. You must complete either question 8 or question 9, whichever applies to the transferee applicant.

•Name:	Fred Williams	Telephone (AC):	(409) 246-3463
Address:	PO Box 188, Kountze, TX 77625		
Position:	Mayor	Ownership % (if applicable):	0.00%

•Name:	Elaine Allums	Telephone (AC):	(409) 246-3463
Address:	PO Box 188, Kountze, TX 77625		
Position:	Mayor Pro Tem	Ownership % (if applicable):	0.00%

•Name:	Mary Adams	Telephone (AC):	(409) 246-3463
Address:	PO Box 188, Kountze, TX 77625		
Position:	Alderman	Ownership % (if applicable):	0.00%

•Name:	Glenn Matthews	Telephone (AC):	(409) 246-3463
Address:	PO Box 188, Kountze, TX 77625		
Position:	Alderman	Ownership % (if applicable):	0.00%

•Name:	Lester Williams	Telephone (AC):	(409) 246-3463
Address:	PO Box 188, Kountze, TX 77625		
Position:	Alderman	Ownership % (if applicable):	0.00%

•Name:	Natasha Brown	Telephone (AC):	(409) 246-3463
Address:	PO Box 188, Kountze, TX 77625		
Position:	Alderman	Ownership % (if applicable):	0.00%

- Attach additional sheet(s) if necessary -

- **Important:** • If the applicant is a for-profit corporation, please provide a copy of the corporation's "Certification of Account Status" from the State Comptroller Office. This "Certification of Account Status" can be obtained from:

Texas Comptroller of Public Accounts
P. O. Box 13528, Capitol Station
Austin, Texas 78711
1-800-252-5555

- If the applicant is an Article 1434a water supply or sewer service corporation or other non-profit corporation, please provide a copy of the Articles of Incorporation and By-Laws.

10. Contact person. Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney or accountant.

Name:	Roderick Hutto	Title:	City Administrator
Address:	PO Box 188, Kountze, TX 77625	Telephone (AC):	(409) 246-3463
Fax #	(409) 246-2319	Email	rhkch@sbcglobal.net
Relationship to the applicant:	City Administrator		

IF THERE ARE MORE THAN TWO PARTIES INVOLVED IN THIS TRANSACTION, PLEASE ATTACH SHEETS PROVIDING THE INFORMATION REQUIRED IN QUESTION 6 THROUGH QUESTION 10 FOR EACH PARTY

11. Please respond to each of the following questions. Attach additional sheets if necessary.

A. Describe the experience and qualifications of the applicant to provide adequate utility service to the requested area

The City of Kountze employs TCEQ certified water operators with knowledge of water distribution systems and well operations. The City of Kountze also has current technology in the billing and metering of water services.

B. Has the applicant acquiring the CCN or facilities or an affiliated interest of the applicant been under enforcement action by the PUC, TCEQ, Texas Department of Health (TDH), the Office of the Attorney General (OAG) or the Environmental Protection Agency (EPA) in the past for noncompliance with rules, orders or State Statutes? ☐ Yes ☒ No

If yes, please attach copies of any correspondence with these regulatory agencies concerning these enforcement actions and describe any actions and efforts to comply with those requirements. Attach additional sheets if needed.

--

C. Describe the source and availability of funds required to make the planned or required improvements, if any, to meet minimum requirements of the TCEQ and PUC and ensure continuous and adequate service.

The City of Kountze will secure funds to ensure continuous and adequate service by establishing utility rates based on the water consumption of the Ranchland customers.

D. Describe the anticipated impact of this transaction on the quality of utility service and explain any anticipated changes in the quality of service.

The City of Kountze will deliver a better quality of service through its knowledge of distribution operations, well operations, billing and metering, and having dedicated personnel available at all times to serve the system.

E. How will the transaction serve the public interest?

It will provide Ranchland with a continuous service and make sure that the water system is in compliance with all state and federal regulations.

12. Please describe the nature of the proposed transaction:

Ranchland is conveying the water system to the City of Kountze, at no charge, to receive a better quality of service.

13. If the transferee applicant is an Investor Owned Utility (IOU) and will be under the rate jurisdiction of the PUC, please provide the following information. Water supply or sewer service corporations and political subdivisions of the state should mark this section N/A:

A.

- Total Purchase Price:
- Total Original Cost (as recorded on books of seller or merging entity):
- Accumulated Depreciation as of the proposed effective date of the transaction:
- Contributions in Aid of Construction:

- Specific surcharges approved by TCEQ or PUC:

- Revenues from explicit customer agreements:

- Developer Contributions (please explain):

- Other Contributions (please explain):

Total Contributions in Aid of Construction

- Net Book Value:

If the Original Cost or any of the above items has been established in a rate case proceeding by the PUC, the TWC or the TCEQ; please provide the Application/Docket Number and date:

Application/Docket Number: Date:

If the applicant is not under the rate jurisdiction of the TCEQ, only the purchase price and information related to Contributions in Aid of Construction is required.

Please provide any other information concerning the nature of the transaction you believe should be given consideration if not explained elsewhere in the application.

[attach additional sheet(s) if necessary]:

C. Complete the following proposed entries listed below as shown in books of purchasing (or surviving) company. Additional entries may be made; the following are suggested only, and not intended to pose descriptive limitations.

Utility Plant in Service:	
Plant Acquisition Adjustment:	
Extraordinary Loss on Purchase:	
Accumulated Depreciation of Plant:	
Cash:	
Notes Payable:	
Mortgage Payable:	
Others (please list):	

As the purchaser, I understand that it is **my responsibility** in any future rate proceeding to provide written evidence and support for the original cost and installation date of all facilities used and useful for providing utility service.

Purchaser's Initials: Date:

14. Please indicate the proposed effect of this transaction on the rates to be charged to the affected customers:

☐ All the customers will be charged the same rates as they were charged before the transaction.

☒ Some All customers will be charged different rates than they were charged before the transaction.

If rates are changing, please explain:

The City of Kountze will install meters at each connection, and bill the customer according to their consumption. As of now customers have no metering of water consumed and are charged a flat rate.

☐ Applicant is an IOU and intends to file with the commission or municipal regulatory authority an application to change rates of some/all of its customers as a result of this transaction. If so, please explain:

☐ Other. Please explain:

15. List all neighboring water and /or sewer utilities, cities, and political subdivisions providing the same service within two (2) miles of area affected by this proposed transaction. This information should be available from the water utility database (WUD) or Applicant's licensed water operator:

1. Water necessities
2. City of Kountze

16. Financial, Managerial and Technical information for the acquiring entity.

Part D – Historical Financial Information

HISTORICAL BALANCE SHEETS	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
CURRENT ASSETS						
Cash						
Accounts Receivable						
Inventories						
Income Tax Receivable						
Other						
Total						
FIXED ASSETS						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
Total						
TOTAL ASSETS						
CURRENT LIABILITIES						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
TOTAL						
LONGTERM LIABILITIES						
Notes Payable, Long-term						
Other						
TOTAL LIABILITIES						
OWNER'S EQUITY						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
TOTAL OWNER'S EQUITY						
TOTAL LIABILITIES AND EQUITY						
WORKING CAPITAL						
CURRENT RATIO						
DEBT TO EQUITY RATIO EQUITY TO TOTAL ASSETS						

HISTORICAL INCOME STATEMENT	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
METER NUMBER						
Existing Number of Taps						
New Taps Per Year						
Total Meters at Year End						
METER REVENUE						
Fees Per Meter						
Cost Per Meter						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Fees						
Other						
Gross Income						
OPERATING EXPENSES						
General & Administrative						
Interest						
Other						
NET INCOME						

HISTORICAL EXPENSE DETAIL	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries						
Office Expense						
Computer Expense						
Auto Expense						
Insurance Expense						
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes						
Professional Fees						
Other						
Total						
% Increase Per Year						
OPERATIONAL EXPENSES						
Salaries						
Auto Expense						
Utilities Expense						
Depreciation Expense						
Repair & Maintenance						
Supplies						
Other						
Total						
% Increase Per Year						
ASSUMPTIONS						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

Part E – Projected Information

PROJECTED BALANCE SHEETS

	START UP	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
CURRENT ASSETS						
Cash						
Accounts Receivable						
Inventories						
Income Tax Receivable						
Other						
Total						
FIXED ASSETS						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
Total						
TOTAL ASSETS						
CURRENT LIABILITIES						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
Total						
LONGTERM LIABILITIES						
Notes Payable, Long-term						
Other						
TOTAL LIABILITIES						
OWNER'S EQUITY						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
TOTAL OWNER'S EQUITY						
TOTAL LIABILITIES AND EQUITY						
WORKING CAPITAL						
CURRENT RATIO						
DEBT TO EQUITY RATIO						
EQUITY TO TOTAL ASSETS						

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
METER NUMBER						
Existing Number of Taps						
New Taps Per Year						
Total Meters at Year End						
METER REVENUE						
Fees Per Meter						
Cost Per Meter						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Fees						
Other						
Gross Income						
OPERATING EXPENSES						
General & Administrative						
Interest						
Other						
NET INCOME						

PROJECTED EXPENSE DETAIL

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries						
Office Expense						
Computer Expense						
Auto Expense						
Insurance Expense						
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes						
Professional Fees						
Other						
Total						
% Increase Per Year	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
OPERATIONAL EXPENSES						
Salaries						
Auto Expense						
Utilities Expense						
Depreciation Expense						
Repair & Maintenance						
Supplies						
Other						
Total						
% Increase Per Year	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ASSUMPTIONS						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

PROJECTED SOURCES AND USES OF CASH STATEMENTS

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
SOURCES OF CASH						
Net Income						
Depreciation (If Funded)						
Loan Proceeds						
Other						
Total Sources						
USES OF CASH						
Net Loss						
Principle Portion of Pmts.						
Fixed Asset Purchase						
Reserve						
Other						
Total Uses						
NET CASH FLOW						
DEBT SERVICE COVERAGE						
Cash Available for Debt						
SERVICE (CADS)						
Net Income (Loss)						
Depreciation, or Reserve Interest						
Total						
REQUIRED DEBT SERVICE (RDS)						
Principle Plus Interest						
DEBT SERVICE COVERAGE RATIO						
CADS Divided by RDS						

Part F – TCEQ Public Water or Sewer System Information

- Please answer questions 17 through 22 on a different sheet for each physically Distinct system being transferred or acquired.

17. A. For Water Systems. TCEQ Public Water System Identification Number:

1	0	0	0	0	7	0
---	---	---	---	---	---	---

Date of last inspection: 12-5-2016

B. For Wastewater Systems:

-TCEQ Discharge Permit Number:

W Q

--	--	--	--	--	--	--

-Name of Permittee:

--

-Date of application to transfer Discharge Permit submitted:

--

-Date of application to transfer Discharge Permit approved by TCEQ:

--

18. A. Are any improvements required to meet TCEQ or PUC standards?

☐

Yes

☒

No. If yes, please explain:

--

B. Is there a moratorium on new connections?

☐

Yes

☒

No. If yes, please explain:

--

C. Provide details of each required major capital improvement to correct the deficiencies and meet the TCEQ or PUC standards (attach additional sheets if necessary):

Description of the Required Improvement	Schedule to Complete	Estimated Cost
NA		

19. Does the system being transferred operate within the city limits of a municipality or within district boundaries? ☐ Yes ☒ No

If yes, indicate the number of customers within the city limits or district boundaries:

Water

Sewer

- Attach copy of franchise agreement or consent letter from the city or district.

20. Do you currently purchase water or sewer treatment capacity from another source? ☐ Yes ☒ No
☐ Water ☐ Sewer Purchased on a ☐ Regular ☐ Seasonal ☐ Emergency Basis

• Source: _____ % of total supply: 0.00%

21. List the number of existing connections to be effected by this transaction.

Water			Sewer		
15	-Non Metered		-2" meter	-Residential Connection	
	-5/8" or 3/4" meter		-3" meter	-Commercial Connection	
	-1" meter		-4" meter	-Industrial Connection	
	-1 1/2" meter		-Other	-Other	
Total Water Connections:			15	Total Sewer Connections	0

20. Has the system reached 85% of its capacity based on TCEQ's minimum requirements? ☒ Yes ☐ No
If yes, please explain what steps are being taken to address the capacity issues:

Ranchland subdivision has no potential for further growth as there are no additional lots available for sale. However, before any additional connections would be made, the owner would follow proper protocol to expand its pressure tank capacity.

23. List the name, class, and license number of the operator(s) that will be responsible for the system:

Name	Class	License#

24. Attach the following maps with each copy of the application:

- One small scale map clearly showing affected service area with enough detail to accurately locate the area if the application is for the transfer of all or a portion of a CCN.
- One large scale map showing the proposed service area boundaries being sold, transferred, or merged and, if available, the existing and proposed facilities. Color coding should be used to differentiate existing from proposed facilities. Facilities and service area boundaries should be shown with such exactness that they can be located on the ground. If transferring area not currently in a CCN or a portion of an existing CCN area please attach the following hard copy maps with each copy of the application:
 - A general location map delineating the proposed service area with enough detail to, accurately locate the proposed area within the county.
 - A map showing only the proposed area by:
 - metes and bounds survey certified by a licensed state or registered professional land surveyor; or
 - projectable digital data with metadata (proposed areas should be in a single record and clearly labeled, data disk should be included); or
 - following verifiable natural and man-made landmarks, or
 - a copy of recorded plat map with metes and bounds.
 - A written description of the proposed service area.

Part G – Oaths and Notices

OATH FOR SELLER OR FORMER SERVICE PROVIDER

STATE OF Texas

COUNTY OF Hardin

I, Sandy Elms, being duly sworn, file this application for sale, lease, rental or merger or consolidation as Secretary of Ranchland Property Owners' Association, Inc. (Indicate relationship to applicant) that is, owner, member of partnership, title as officer of corporation, or other authorized representative of applicant; that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

I further state that I have provided to the purchaser or transferee a written disclosure statement about any contributed property as required under Section 13.301(j) and copies of any outstanding Orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas, or Attorney General and have also complied with the notice requirements in Section 13.301(k) of the Texas Water Code.

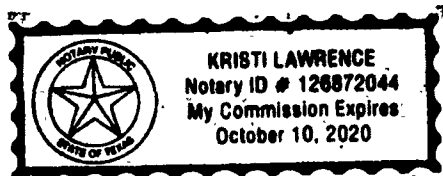
Sandy Elms, Sec. R.P.O.A., Inc.
AFFIANT

(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas, this day 24th of May, 20 17.

SEAL



Kristi Lawrence
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

Kristi Lawrence
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES

10/10/2020

One copy of this page must be submitted for each utility involved in this transaction.

OATH FOR PURCHASER OR ACQUIRING ENTITY

STATE OF

Texas

COUNTY OF

Hardin

I, Roderick Hutto, being duly sworn, file this application for

sale, lease, rental or merger or consolidation as City Administrator of City of Kainer
(Indicate relationship to applicant) that is, owner, member of partnership, title as officer of corporation, or other authorized representative of applicant); that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

I am also authorized and do agree to be bound by and comply with any outstanding orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas or the Attorney General which have been issued to the system or facilities being acquired and recognize that I will be subject to administrative penalties or other enforcement actions if I do not comply.

Roderick Hutto

AFFIANT

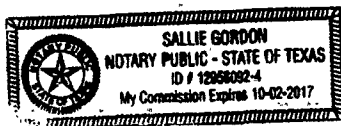
(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

Applicant represents that all other parties to this transaction have been furnished copies of this completed application.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas, this
day 24 of May, 20 17.

SEAL



Sallie Gordon

NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

Sallie Gordon

PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES

10/2/17

One copy of this page must be submitted for each utility involved in this transaction.

FORM A

Docket No.

Notice to Current Customers, Neighboring Systems and Cities

Ranchland 'S
(Seller's or Transferor's Name)

**NOTICE OF INTENT TO SELL FACILITIES AND TRANSFER CERTIFICATE OF CONVENIENCE AND
NECESSITY (CCN) NO**

12945

TO

City of Kountze

(Purchaser's or Transferee's Name)

IN Hardin COUNTY, TEXAS

To: Date Notice Mailed , 20

(Name of Customer, Neighboring System or City)

(Address)

City State Zip

<u>Ranchland POA, Inc.</u>	<u>PO Box 1248</u>	<u>Kountze, Texas 77625</u>
Sellers or Transferors' Name	Address	City/State/Zip Code

has submitted an application with the Public Utility Commission of Texas to sell facilities and transfer
water or sewer (please select) CCN No. 12945 in Hardin [County Name]

County to:

<u>City of Kountze</u>	<u>1025 N. Pine Street</u>	<u>Kountze, TX 77625</u>
Purchasers or Transferee's Name	Address	City/State/Zip Code

The sale is scheduled to take place as approved by the Commission (V.T.C.A., Water Code §13.301). The transaction and the transfer of
the CCN include the following subdivision(s):

Ranchland

The area subject to this transaction is located approximately 2.2 miles SE [direction] of
downtown Kountze [City or Town] Texas, and is generally bounded on the north by

Gates Road ; on the east by Old S. Williford Road
; on the south by Hwy 69 ; and on the west by Hwy 69

The total area being requested includes approximately 220 acres and serves 15 current customers.

This transaction will have the following effect on the current customer's rates and services:

Affected persons may file written protests and/or request a public hearing within 30 days of this notice.

To request a hearing, you must:

- (1) state your name, mailing address and daytime telephone number;
- (2) state the applicant's name, application number or another recognizable reference to this application;
- (3) include the statement "I/we request a public hearing";
- (4) write a brief description of how you, the persons you represent, or the public interest would be adversely affected by the proposed transaction and transfer of the CCN; and
- (5) state your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

Only those persons who submit a written request to be notified of a hearing will receive notice if a hearing is scheduled. The Commission will issue the CCN requested in the referenced application unless a hearing is scheduled to consider the transaction. If no protests or requests for hearing are filed during the comment period, the Commission may issue the CCN 30 days after publication of this notice.

Persons who wish to protest or request a hearing on this application should write the:

Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

**Se desea informacion en Espanol, puede llamar al
1-888-782-8477**

Sandy Elms, Sec.

Utility Representative

Ranchland Property Owner's Association, Inc.

Utility Name

Notice to Current Customers, Neighboring Systems, Landowner and Cities

Ranchland **'S NOTICE OF INTENT TO SELL FACILITIES TO**
 (Seller's or Transferor's Name)

City of Kountze **AND FOR**
 (Purchaser's or Transferee's Name) Purchaser's or Transferee's Name)

TO OBTAIN OR AMEND A CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) IN
Hardin **COUNTY, TEXAS**

To: Date Notice Mailed , 20
 (Name of Customer, Neighboring System, Landowner or City)

(Address)

 City State Zip

Sellers or Transferors' Name	Address	City/State/Zip Code
------------------------------	---------	---------------------

has submitted an application with the Public Utility Commission of Texas to sell water or sewer (please select) Facilities in Hardin [County Name] County to:

City of Kountze	1025 N. Pine Street	Kountze, Texas 77625
Purchaser's or Transferee's Name	Address	City/State/Zip Code

The transferee has also requested to obtain/amend a CCN in this application. The sale is scheduled to take place as approved by the Commission (Texas Water Code §13.301). The transaction and the proposed service area include the following subdivision(s):

Ranchland POA, Inc.

The area subject to this transaction is located approximately 2.2 miles SE [direction] of downtown Kountze [City or Town] Texas, and is generally bounded on the north by Gates Road on the east by Old S. Willford Road on the south by Hwy 69 and on the west by Hwy 69

The total area being requested includes approximately 220 acres and serves 15 current customers.
 This transaction will have the following effect on the current customer's rates and services:

Affected persons may file written protests and/or request a public hearing within 30 days of this notice.
 To request a hearing, you must:

- (1) state your name, mailing address and daytime telephone number;
- (2) state the applicant's name, application number or another recognizable reference to this application;
- (3) include the statement "I/we request a public hearing";
- (4) write a brief description of how you, the persons you represent, or the public interest would be adversely affected by the proposed transaction and transfer of the CCN; and
- (5) state your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

Only those persons who submit a written request to be notified of a hearing will receive notice if a hearing is scheduled. The Commission will issue the CCN requested in the referenced application unless a hearing is scheduled to consider the transaction. If no

protests or requests for hearing are filed during the comment period, the Commission may issue the CCN 30 days after publication of this notice.

Persons who wish to protest or request a hearing on this application should write the:

Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

**Se desea informacion en Espanol, puede llamar al
1-888-782-8477**

Sandy Elms, Sec.

Utility Representative

Ranchland Property Owner's Association, Inc.

Utility Name



Management Letter

April 18, 2017

To the Honorable Mayor and
City Council Members of the
City of Kountze, Texas:

The American Institute of Certified Public Accountants Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit* (SAS 115), provides guidance to auditors on communicating internal control matters to management and the governing body, board of directors, or equivalent body.

It is important to note when reviewing findings reported within this letter that classification of the findings is based on the definitions required by SAS 115 as further discussed below. Please note that these classifications are based on the potential impact to the financial statements, not necessarily the likelihood of actual loss to the City of Kountze, Texas (the "City"). Accordingly, the City's assessment of the "significance" or ranking of severity will likely be substantially different based on a number of factors including, but not limited to, its assessment of risk and the cost benefit of making the change.

Our report is as follows:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City as of and for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency and other matters.

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 control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our findings and additional comments are as follows:

CURRENT YEAR MATTERS

Significant Deficiency

2016-001. BANK RECONCILIATIONS

Criteria

The City is responsible for balancing and reconciling bank statements and accurately accounting for the City's cash accounts.

Condition

We noted the computer generated bank reconciliations' ending balances do not reconcile to the City's general ledger. The outstanding checks/deposits list appears to be correct; however, the ending balances do not reconcile back to the appropriate general ledger account.

Effect

The City is at risk for loss of funds due to lack of accounting for cash.

Cause

The City lacks experience in reconciling bank statements with the current software.

Recommendation

The City should consider seeking guidance from their software company to assist with the bank reconciliation and to ensure the reconciled balances agree to the general ledger accounts.

Other Matters

2016-002. EXPENDITURES IN EXCESS OF APPROPRIATIONS

Criteria

Chapter 102 of the Texas Local Government Code, Municipal Budget, prescribes requirements for Texas municipalities regarding annual budgets.

Condition

As disclosed in the notes to the financial statements, expenditures in the general fund exceeded appropriations at the legal level of control.

Recommendation

The City should ensure that expenditures do not exceed appropriations approved by City Council in accordance with the Local Government Code. If the original authorization is insufficient, an amendment should be proposed to City Council in sufficient time so as not to impede the City's normal procurement process.

2016-003. PUBLIC FUNDS INVESTMENT ACT

Criteria

Chapter 2256 of the Texas Government Code, Public Funds Investment Act (the "Act") prescribes certain requirements for government and nonprofit entities investing public funds. One of the more basic requirements of the Act includes annual review and approval of its investment policy.

Condition

As of September 30, 2016, the investment policy was not reviewed and approved by the City Council during the current year.

Recommendation

The City should take steps necessary to review and approve the investment policy annually for compliance with the Act. More information on the Act can be found online at www.statutes.legis.state.tx.us.

This communication is intended solely for the information and use of management, City Council, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the City Council and the City's management for their cooperation during the course of our audit. Please feel free to contact us at your convenience to discuss this report or any other concerns that you may have.

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas

ANNUAL FINANCIAL REPORT

of the

CITY OF KOUNTZE, TEXAS

**For the Year Ended
September 30, 2016**

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CITY OF KOUNTZE, TEXAS

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September 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Kountze, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Kountze, Texas (the "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 auditors' 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on the table of contents, 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.

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
April 18, 2017

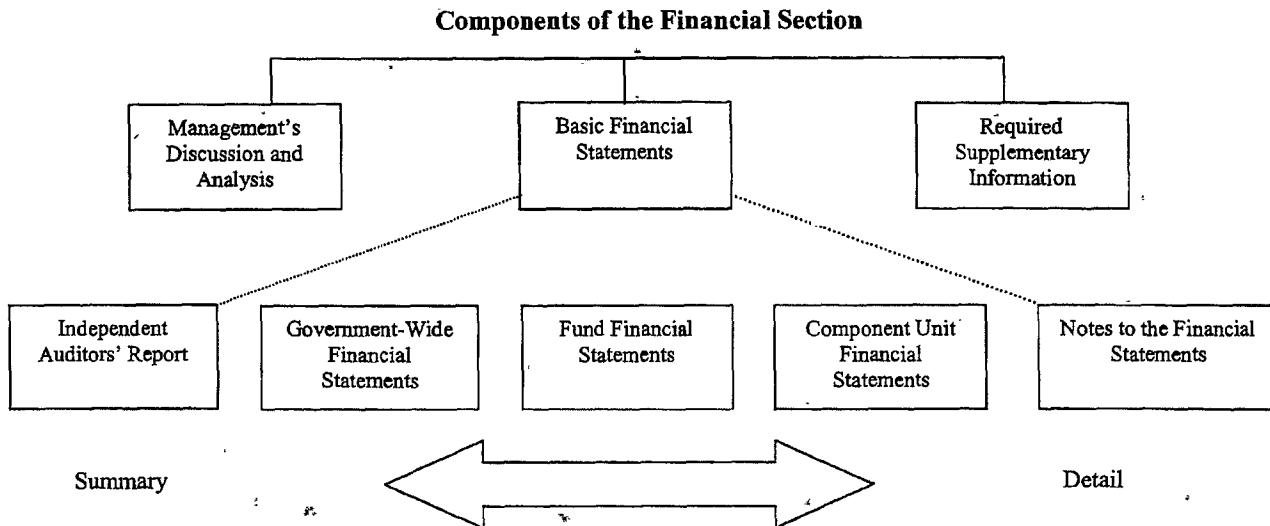
***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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CITY OF KOUNTZE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Kountze, Texas (the "City") for the year ending September 30, 2016. The analysis is based on currently known facts, decisions, and economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis 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 even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference 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. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

CITY OF KOUNTZE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported here including general government, public safety, public works, and municipal court. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise taxes, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water, sewer, and gas provision services.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The two categories of City funds are governmental and proprietary.

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 year. Such information may be useful in evaluating the City'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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains one individual governmental fund, which is the general fund.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

CITY OF KOUNTZE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

Proprietary Funds

The City maintains one type of proprietary fund, an enterprise 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 the enterprise fund to account for its water distribution, wastewater collection/treatment, and gas distribution operations. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and the schedule of changes in net pension liability and related ratios and schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$2,698,799 as of year end. This compares with \$2,753,167 from the prior fiscal year. A portion of the City's net position, 64 percent, reflects its investments in capital assets (e.g., land, building, equipment, improvements, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services 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 assets themselves cannot be used to liquidate these liabilities.

CITY OF KOUNTZE, TEXAS
'MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 1,168,101	\$ 1,288,837	\$ 721,252	\$ 705,193	\$ 1,889,353	\$ 1,994,030
Capital assets, net	1,619,698	1,571,315	773,762	870,194	2,393,460	2,441,509
Total Assets	2,787,799	2,860,152	1,495,014	1,575,387	4,282,813	4,435,539
Deferred outflows - pension	36,145	7,031	24,881	4,886	61,026	11,917
Total Deferred Outflows of Resources	36,145	7,031	24,881	4,886	61,026	11,917
Long-term liabilities	1,304,484	1,343,082	111,967	49,508	1,416,451	1,392,590
Other liabilities	58,608	82,351	159,155	205,941	217,763	288,292
Total Liabilities	1,363,092	1,425,433	271,122	255,449	1,634,214	1,680,882
Deferred inflows - pension	6,381	7,910	4,445	5,497	10,826	13,407
Total Deferred Inflows of Resources	6,381	7,910	4,445	5,497	10,826	13,407
Net Position:						
Net investment in capital assets	1,056,550	1,040,989	665,935	828,280	1,722,485	1,512,269
Restricted	173,004	141,725	-	-	173,004	141,725
Unrestricted	224,917	251,126	578,393	491,047	803,310	1,099,173
Total Net Position	\$ 1,454,471	\$ 1,433,840	\$ 1,244,328	\$ 1,319,327	\$ 2,698,799	\$ 2,753,167

A portion of the City's net position, \$173,004 or 6 percent, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$803,310 or 30 percent, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net position of \$2,698,799 decreased by \$54,368 compared to the prior year. This change can be primarily attributed to a decrease in capital grant and contributions. Total revenues for the City decreased by \$725,600, along with a decrease in overall expenditures of \$79,137.

CITY OF KOUNTZE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

Statement of Activities:

The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 582,479	\$ 726,575	\$ 911,873	\$ 983,280	\$ 1,494,352	\$ 1,709,855
Operating grants and contributions	20,846	-	36,007	-	56,853	-
Capital grants and contributions	-	401,380	-	196,655	-	598,035
General revenues:						
Property taxes	270,119	257,790	-	-	270,119	257,790
Sales tax	454,630	444,296	-	-	454,630	444,296
Franchise and occupancy taxes	162,907	167,193	-	-	162,907	167,193
Interest revenue	292	250	395	351	687	601
Other	27,338	22,649	20,527	12,594	47,865	35,243
Total Revenues	1,518,611	2,020,133	968,802	1,192,880	2,487,413	3,213,013
Expenses						
General government	587,558	671,905	-	-	587,558	671,905
Public safety	352,137	296,221	-	-	352,137	296,221
Public works	339,536	310,082	-	-	339,536	310,082
Municipal court	249,531	258,946	-	-	249,531	258,946
Interest and fiscal agent fees	22,025	68,188	2,432	21,580	24,457	89,768
Water, sewer, and gas system	-	-	988,562	993,996	988,562	993,996
Total Expenses	1,550,787	1,605,342	990,994	1,015,576	2,541,781	2,620,918
Increase (Decrease) in Net Position Before Transfers	(32,176)	414,791	(22,192)	177,304	(54,368)	592,095
Transfers in (out)	52,807	(394,536)	(52,807)	394,536	-	-
Changes in Net Position	20,631	20,255	(74,999)	571,840	(54,368)	592,095
Beginning net position	1,433,840	1,413,585	1,319,327	747,487	2,753,167	2,161,072
Ending Net Position	\$ 1,454,471	\$ 1,433,840	\$ 1,244,328	\$ 1,319,327	\$ 2,698,799	\$ 2,753,167

For the year ended September 30, 2016, revenues from governmental activities totaled \$1,497,765, excluding \$20,846 in operating grants and contributions, compared with \$1,618,753 in the prior year, excluding \$401,380 in prior year capital grants and contributions. Overall, revenues from governmental activities totaled \$1,518,611, which is a decrease of \$501,522. This change can be attributed to a decrease in capital grants and contributions and charges for services by \$401,380 and \$144,096, respectively. The decrease in capital grants and contributions is due to less grants received by the City while the decrease in charges for services can be attributed to a decrease in collection of municipal court fines.

Governmental expenses decreased by \$54,555 from last year. This decrease can be primarily attributed to the decreases in trade days due to the termination of trade day program during the prior fiscal year, as well as decreases in municipal court expenses due to the decrease in collections.

CITY OF KOUNTZE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

Operating revenues for business-type activities decreased by \$224,078, primarily as a result of a decrease in capital grants and contributions over the prior year. Operating expenses for business-type activities decreased slightly by \$24,582, due to decreases in salaries and supplies.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's 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 the City's net resources available for spending at the end of the year.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$363,481, while total fund balance reached \$917,830. Of this, \$61,861 is restricted for tourism, \$48,333 is restricted for court technology, \$381,345 is restricted for the Series 2015 project fund, and \$62,810 is restricted for grants. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 21 percent of total general fund expenditures, while total fund balance represents approximately 54 percent of that same amount.

The general fund had a decrease in fund balance of \$13,202. This decrease was due to increases in debt payments and an increase in labor costs within public safety compared to the prior year.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The City did not budget to use any fund balance and the net change in fund balance decreased by \$13,202, resulting in a negative variance from the budget of \$13,202.

Actual general fund revenues were more than original budgeted revenues by \$6,566 during the fiscal year. This net positive variance was increased by a net positive variance that occurred in the budgeted expenditures of \$301,932. Both positive variances are offset by the negative variance in other financing sources of \$321,700 resulting in an overall negative variance of \$13,202.

CITY OF KOUNTZE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

CAPITAL ASSETS

At the end of the fiscal year, the City's governmental activities had invested \$1,619,698 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$48,383.

Major capital asset events during the current year include the following:

- South Hickory street improvements for \$58,694
- Purchase of three vehicles for \$77,663

More detailed information about the City's capital assets is presented in note III. C. to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had certificates of obligation outstanding of \$869,000 and general obligation refunding bonds outstanding of \$344,000 in governmental activities.

During the year, the City had a net decrease in long-term debt of \$48,833.

More detailed information about the City's long-term liabilities is presented in note III. D. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City adopted a \$2,053,091 budget for the 2016-2017 fiscal year. The City continues to improve its services for its citizens while trying to keep taxes and fees to a minimum.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to Kim Haynes, City Secretary, P.O. Box 188, Kountze, Texas, 77625; telephone 409-246-3463.

BASIC FINANCIAL STATEMENTS

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CITY OF KOUNTZE, TEXAS

STATEMENT OF NET POSITION

September 30, 2016

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		KEDC
<u>Assets</u>				
Cash and cash equivalents	\$ 341,715	\$ 418,328	\$ 760,043	\$ 187,951
Investments	-	-	-	97,497
Receivables, net	272,035	156,403	428,438	26,791
Cash - restricted	554,351	146,521	700,872	-
Capital assets:				
Nondepreciable capital assets	119,000	12,117	131,117	107,414
Depreciable capital assets, net	1,500,698	761,645	2,262,343	-
Total Assets	2,787,799	1,495,014	4,282,813	419,653
<u>Deferred Outflows of Resources</u>				
Deferred outflows - pension	36,145	24,881	61,026	-
Total Deferred Outflows of Resources	36,145	24,881	61,026	-
<u>Liabilities</u>				
Accounts payable and accrued liabilities	58,608	12,634	71,242	-
Customer deposits	-	146,521	146,521	-
Noncurrent liabilities:				
Due within one year	115,298	21,180	136,478	-
Due in more than one year	1,189,186	90,787	1,279,973	-
Total Liabilities	1,363,092	271,122	1,634,214	-
<u>Deferred Inflows of Resources</u>				
Deferred inflows - pension	6,381	4,445	10,826	-
Total Deferred Inflows of Resources	6,381	4,445	10,826	-
<u>Net Position</u>				
Net investment in capital assets	1,056,550	665,935	1,722,485	107,414
Restricted	173,004	-	173,004	-
Unrestricted	224,917	578,393	803,310	312,239
Total Net Position	\$ 1,454,471	\$ 1,244,328	\$ 2,698,799	\$ 419,653

See Notes to Financial Statements.

CITY OF KOUNTZE, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 587,558	\$ 68,307	\$ -
Public safety	352,137	-	20,846
Public works	339,536	272,095	-
Municipal court	249,531	242,077	-
Interest and fiscal agent fees on long-term debt	22,025	-	-
Total Governmental Activities	<u>1,550,787</u>	<u>582,479</u>	<u>20,846</u>
Business-Type Activities			
Water, sewer, and gas system	<u>990,994</u>	<u>911,873</u>	<u>36,007</u>
Total Business-Type Activities	<u>990,994</u>	<u>911,873</u>	<u>36,007</u>
Total Primary Government	<u>\$ 2,541,781</u>	<u>\$ 1,494,352</u>	<u>\$ 56,853</u>
Component Unit			
Kountze Economic Development Corporation	<u>\$ 80,815</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Property taxes
Sales tax
Franchise and occupancy taxes
Interest revenue
Other
Transfers

Total General Revenues

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net Revenue (Expense) and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	KEDC
\$ (519,251)	\$ -	\$ (519,251)	\$ -
(331,291)	-	(331,291)	-
(67,441)	-	(67,441)	-
(7,454)	-	(7,454)	-
(22,025)	-	(22,025)	-
(947,462)	-	(947,462)	-
-	(43,114)	(43,114)	-
-	(43,114)	(43,114)	-
(947,462)	(43,114)	(990,576)	-
-	-	-	(80,815)
270,119	-	270,119	-
454,630	-	454,630	151,551
162,907	-	162,907	-
292	395	687	615
27,338	20,527	47,865	-
52,807	(52,807)	-	-
968,093	(31,885)	936,208	152,166
20,631	(74,999)	(54,368)	71,351
1,433,840	1,319,327	2,753,167	348,302
<u>\$ 1,454,471</u>	<u>\$ 1,244,328</u>	<u>\$ 2,698,799</u>	<u>\$ 419,653</u>

CITY OF KOUNTZE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUND

September 30, 2016

		<u>General</u>
<u>Assets</u>		
Cash and cash equivalents	\$	341,715
Receivables, net		184,609
Cash - restricted		554,351
Total Assets	\$	<u>1,080,675</u>
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$	58,608
Total Liabilities	\$	<u>58,608</u>
<u>Deferred Inflows of Resources</u>		
Unavailable revenue - property taxes		<u>104,237</u>
<u>Fund Balance</u>		
Restricted:		
Tourism		61,861
Court technology		48,333
Series 2015 project fund		381,345
Grants		62,810
Unassigned		363,481
Total Fund Balance		<u>917,830</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.		
Capital assets, nondepreciable		119,000
Capital assets, net depreciable		1,500,698
Certain accounts receivable, net of related allowance, are not current financial resources and, therefore, are not reported in the governmental fund.		
		87,426
Long-term liabilities and deferred outflows and inflows related to pensions are not reported in the governmental fund.		
Net pension liability		(4,652)
Deferred outflows - pension		36,145
Deferred inflows - pension		(6,381)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
		104,237
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund.		
Compensated absences		(11,339)
Long-term debt		<u>(1,288,493)</u>
Total Net Position of Governmental Activities	\$	<u>1,454,471</u>

See Notes to Financial Statements.

CITY OF KOUNTZE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended September 30, 2016

	<u>General</u>
<u>Revenues</u>	
Property taxes	\$ 260,311
Sales tax	454,630
Franchise and occupancy taxes	162,907
Fines and forfeitures	305,582
Intergovernmental	20,846
Licenses and permits	18,235
Interest	292
Charges for services	272,095
Street program	50,072
Other revenues	27,338
Total Revenues	<u>1,572,308</u>
<u>Expenditures</u>	
Current:	
General government	488,903
Public safety	314,417
Public works	334,643
Municipal court	248,662
Library	118,203
Trade days	2,778
Capital outlay	58,689
Debt service:	
Principal	124,326
Interest and fiscal charges	23,189
Total Expenditures	<u>1,713,810</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(141,502)</u>
<u>Other Financing Sources (Uses)</u>	
Debt issued	75,493
Transfers in	52,807
Total Other Financing Sources	<u>128,300</u>
Net Change in Fund Balance	(13,202)
Beginning fund balance	<u>931,032</u>
Ending Fund Balance	<u>\$ 917,830</u>

See Notes to Financial Statements.

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CITY OF KOUNTZE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

Net changes in fund balance - total governmental fund	\$	(13,202)
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Amounts reported for governmental activities in the Statement of Activities are different because:

The governmental fund reports 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.

Capital outlay		158,436
Depreciation		(110,053)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental fund.

Deferred revenue		9,808
Receivables		(63,505)

Net pension liability and deferred outflows and inflows related to the net pension asset are not reported in the governmental fund.

Net pension liability		(35,910)
Deferred outflows - pension		29,114
Deferred inflows - pension		1,529

The issuance of long-term debt (e.g., bonds, certificates of obligation) provides current financial resources to the governmental fund, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental fund. Neither transaction, however, has any effect on net position. Also, the governmental fund reports the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Principal payments		94,000
Capital lease payments		30,326
Debt issuance		(75,493)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest		1,164
Compensated absences		(5,583)

Change in Net Position of Governmental Activities	\$	<u>20,631</u>
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See Notes to Financial Statements.

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CITY OF KOUNTZE, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2016

	Business-Type Activities Water, Sewer, and Gas
Assets	
Current assets:	
Cash and cash equivalents	\$ 418,328
Accounts receivable, net	156,403
Restricted cash	146,521
Total Current Assets	721,252
Noncurrent assets:	
Capital assets:	
Nondepreciable capital assets	12,117
Depreciable capital assets, net	761,645
Total Capital Assets, Net of Accumulated Depreciation	773,762
Total Noncurrent Assets	773,762
Total Assets	1,495,014
Deferred Outflows of Resources	
Deferred outflows - pension	24,881
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	12,634
Customer deposits	146,521
Compensated absences	1,050
Bonds and notes payable	20,130
Total Current Liabilities	180,335
Noncurrent liabilities:	
Compensated absences	117
Net pension liability	2,973
Bonds and notes payable	87,697
Total Noncurrent Liabilities	90,787
Total Liabilities	271,122
Deferred Inflows of Resources	
Deferred inflows - pension	4,445
Net Position	
Net investment in capital assets	665,935
Unrestricted	578,393
Total Net Position	\$ 1,244,328

See Notes to Financial Statements.

CITY OF KOUNTZE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND

For the Year Ended September 30, 2016

	<u>Business-Type Activities</u> <u>Water, Sewer, and Gas</u>
<u>Operating Revenues</u>	
Charges for services	\$ 911,873
Other revenue	20,527
Total Operating Revenues	<u>932,400</u>
<u>Operating Expenses</u>	
Personnel	378,887
Public works	369,409
Depreciation	240,266
Total Operating Expenses	<u>988,562</u>
Operating Loss	<u>(56,162)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Interest revenue	395
Intergovernmental	36,007
Interest expense	(2,432)
Transfers (out)	(52,807)
Total Nonoperating Expenses	<u>(18,837)</u>
Change in Net Position	(74,999)
Beginning net position	<u>1,319,327</u>
Ending Net Position	<u><u>\$ 1,244,328</u></u>

See Notes to Financial Statements.

CITY OF KOUNTZE, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 1 of 2)

For the Year Ended September 30, 2016

	<u>Business-Type Activities Water, Sewer, and Gas</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers and users	\$ 1,017,771
Payments for goods and services	(431,821)
Payments to employees	(381,666)
Net Cash Provided by Operating Activities	<u>204,284</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Intergovernmental	36,007
Transfers (out)	(52,807)
Net Cash (Used) by Noncapital Financing Activities	<u>(16,800)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital assets purchased	(143,834)
Proceeds from capital lease	107,827
Interest paid on capital debt	(2,432)
Principal paid on capital debt	(41,914)
Net Cash (Used) by Capital and Related Financing Activities	<u>(80,353)</u>
<u>Cash Flows from Investing Activities</u>	
Interest revenue	395
Net Cash Provided by Investing Activities	<u>395</u>
Net Increase in Cash and Cash Equivalents	<u>107,526</u>
Beginning cash and cash equivalents	<u>457,323</u>
Ending Cash and Cash Equivalents	<u><u>\$ 564,849</u></u>
Ending Cash and Cash Equivalents:	
Unrestricted cash and cash equivalents	418,328
Restricted cash and cash equivalents	146,521
Ending Cash and Cash Equivalents	<u><u>\$ 564,849</u></u>

See Notes to Financial Statements.

CITY OF KOUNTZE, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 2 of 2)

For the Year Ended September 30, 2016

	<u>Business-Type Activities</u> <u>Water, Sewer, and Gas</u>
Reconciliation of Operating Income (Loss)	
to Net Cash Provided (Used) by Operating Activities:	
Operating (loss)	\$ (56,162)
Adjustments to reconcile operating (loss)	
to net cash provided by operating activities:	
Depreciation	240,266
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in Current Assets:	
Receivables	69,745
Net pension asset	21,722
Deferred outflows - pension	(19,995)
Increase (Decrease) in Current Liabilities:	
Compensated absences	(6,427)
Net pension liability	2,973
Interest payable	(1,608)
Accounts payable	(60,804)
Deferred inflows - pension	(1,052)
Customer deposits	15,626
Net Cash Provided by Operating Activities	<u><u>\$ 204,284</u></u>

See Notes to Financial Statements.

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Kountze, Texas (the "City") was incorporated in 1946, under the provisions of Act 279 P.A. 1909, as amended, Home Rule City Act 2. The City operates a mayor-council form of government. The Council is composed of a mayor and five council members, who are elected at large.

The Mayor is the chief executive officer of the City, presides at Council meetings, and is entitled to vote only in case of a tie. All powers of the City are vested in the Council. Such powers include appointment of City Administrator, boards, and commissions; adoption of the budget; authorization of bond issues; and adoption of ordinances and resolutions as deemed necessary, desirable, and beneficial to the City.

The City provides the following services: general government, municipal court, public safety, and public works.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Kountze Economic Development Corporation, although legally separate, is considered part of the reporting entity. No other entities have been included as part of the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Kountze Economic Development Corporation

The Kountze Economic Development Corporation (KEDC) was created by the City through an election in which the voters approved an additional sales tax. The KEDC was created under the provisions of Section 4A, Article 5190.6 of the Texas Development Corporation Act of 1979 for the purpose of promotion and development of new and expanded business enterprises to provide

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

and encourage employment in the public welfare on behalf of a Board of Directors appointed by the City Council. In the event of dissolution, net position shall be conveyed to the City.

Complete financial statements of the KEDC can be obtained directly from the administrative offices of the City.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental fund, while business-type activities incorporate data from the City's enterprise fund. Separate financial statements are provided for the governmental fund and proprietary fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater collection, wastewater treatment operations, and gas distribution functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column.

The City reports the following governmental fund:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and municipal court. The general fund is always considered a major fund for reporting purposes.

The City reports the following enterprise fund:

The *enterprise fund* is used to account for and report the operations that provide water and wastewater collection, wastewater treatment operations, and gas distribution. The services are financed and operated in a manner similar to private business enterprises where the intent of the

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The water, sewer, and gas fund is considered a major fund for reporting purposes.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *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 revenues 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 only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales 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

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. 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. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

2. Investments

The City reports all investments at fair value, except for certain investment pools and money market investments. Money market investments, which are short-term highly liquid debt investments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- U.S. treasuries
- U.S. agencies/instrumentalities
- Certificates of deposits
- Money market mutual funds
- Local government investment pools

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) and are recognized as expenditures when consumed rather than when purchased.

4. Restricted Assets

Funds set aside for the payment of enterprise fund customer deposits and debt service are classified as restricted assets.

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	10-40 years
Infrastructure	20 years
Machinery and equipment	5-20 years
Operating system	5-33 years

6. 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 three items that qualify for reporting in this category on the government-wide Statement of Net Position. Deferred charges have been recognized as a result of changes in actuarial assumptions for the City's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. A deferred outflow of resources is recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

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 City has one item that qualifies for reporting in this category in the government-wide Statement of Net Position. Deferred charges have been recognized as a result of differences between the actuarial expectations and the

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

actual economic experience related to the City's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the City has only one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental fund balance sheet. The governmental fund reports unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

7. Compensated Employee Absences

Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations. Earned vacation time is generally required to be used within the year it was earned. The City Administrator may give approval for vacation leave to be carried over to the following year or the employee may be paid for the unused vacation leave if extenuating circumstances exist for which the employee was unable to use the vacation leave earned. Employees who are separated from City employment in good standing may be recommended by the City Administrator to receive termination pay for unused vacation time that was earned in both the preceding and current years.

8. 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 straightline method, if material. 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Assets acquired under the terms of a capital lease are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

9. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

10. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

12. Estimates

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

13. Pensions

For the purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported 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.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

All taxes due to the City on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest as the Council may provide by ordinance.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. City property tax revenues are recognized when collected.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

In cooperation with the department heads of the City, the City Manager prepares an annual budget for the general fund and the proprietary fund for the ensuing fiscal year in a form and style as deemed desirable by the City Council. The City Manager submits to the Council, for its review, consideration, and revision, both a letter describing the proposed new budget, as well as a budget for the forthcoming fiscal year, prior to the beginning of the fiscal year. The budget, as adopted, must set forth the appropriations for services, functions, and activities of the various City departments and agencies, and shall meet all fund requirements provided by law and required by bond covenants. During the fiscal year, the Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department to re-estimate revenues and expenditures and to amend the budget.

Management has the power to transfer unencumbered funds allocated to the budget from one function or activity to another function or activity within the same department. At any time in the fiscal year, the Council may make emergency appropriations to meet a pressing need to protect the public health, safety, or welfare. The legal level of control is the department level.

A. Expenditures in Excess of Appropriations

The general fund had expenditures in excess of appropriations for public works of \$89,186, municipal court of \$11,658, principal payments of \$9,826, and interest and fiscal charges of \$23,189 as of September 30, 2016.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Cash and temporary investments include petty cash on hand in various departments, certificates of deposit, and demand deposit accounts. As of year end, the City's discretely presented component unit had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificate of deposit	<u>\$ 97,497</u>	0.71

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

deposit at the depository bank to be collateralized by securities and FDIC insurance. As of year end, FDIC insurance and securities pledged exceeded bank balances.

B. Receivables

The following comprise receivable balances at year end:

	General	Water, Sewer, and Gas	KEDC	Total
Property taxes	\$ 107,348	\$ -	\$ -	\$ 107,348
Other taxes	80,372	-	26,791	107,163
Accounts	-	231,995	-	231,995
Less allowance	(3,111)	(75,592)	-	(78,703)
Total	<u>\$ 184,609</u>	<u>\$ 156,403</u>	<u>\$ 26,791</u>	<u>\$ 367,803</u>

C. Capital Assets

A summary of changes in capital assets for the year end is as follows:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 119,000	\$ -	\$ -	\$ 119,000
Total Capital Assets Not Being Depreciated	<u>119,000</u>	<u>-</u>	<u>-</u>	<u>119,000</u>
Other capital assets:				
Buildings and improvements	592,414	-	-	592,414
Machinery and equipment	577,361	77,663	(23,411)	631,613
Infrastructure	1,742,502	80,773	-	1,823,275
Total Other Capital Assets	<u>2,912,277</u>	<u>158,436</u>	<u>(23,411)</u>	<u>3,047,302</u>
Less accumulated depreciation for:				
Buildings and improvements	(197,408)	(21,496)	-	(218,904)
Machinery and equipment	(510,685)	(31,038)	23,411	(518,312)
Infrastructure	(751,869)	(57,519)	-	(809,388)
Total Accumulated Depreciation	<u>(1,459,962)</u>	<u>(110,053)</u>	<u>23,411</u>	<u>(1,546,604)</u>
Other capital assets, net	1,452,315	48,383	-	1,500,698
Governmental Activities Capital Assets, Net	<u>\$ 1,571,315</u>	<u>\$ 48,383</u>	<u>\$ -</u>	<u>1,619,698</u>
			Less associated debt	(944,493)
			Plus unspent bond proceeds	381,345
			Net Investment in Capital Assets	<u>\$ 1,056,550</u>

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Depreciation was charged to governmental functions as follows:

General government	\$ 20,708
Public safety	19,791
Public works	69,554
Total Governmental Activities Depreciation Expense	\$ 110,053

The following is a summary of changes in capital assets for business-type activities for the year end:

	Beginning Balance	Increases/ Transfers	Increases/ (Decreases)	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 12,117	\$ -	\$ -	\$ 12,117
Total Capital Assets Not Being Depreciated	12,117	-	-	12,117
Other capital assets:				
Buildings and improvements	25,428	-	-	25,428
Equipment	636,767	107,827	-	744,594
Operating system	6,105,926	36,007	-	6,141,933
Total Other Capital Assets	6,768,121	143,834	-	6,911,955
Less accumulated depreciation for:				
Buildings and improvements	(22,748)	(1,341)	-	(24,089)
Equipment	(560,915)	(48,653)	-	(609,568)
Operating system	(5,326,381)	(190,272)	-	(5,516,653)
Total Accumulated Depreciation	(5,910,044)	(240,266)	-	(6,150,310)
Other capital assets, net	858,077	(96,432)	-	761,645
Business-Type Activities Capital Assets, Net	\$ 870,194	\$ (96,432)	\$ -	773,762
			Less associated debt	(107,827)
			Net Investment in Capital Assets	\$ 665,935

Depreciation was charged to business-type functions as follows:

Water, sewer, and gas system	\$ 240,266
Total Business-Type Activities Depreciation Expense	\$ 240,266

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

The following is a summary of changes in capital assets for the discretely presented component unit for the year end:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Component Unit Activities:				
Capital assets not being depreciated:				
Land	\$ 100,414	\$ 7,000	\$ -	\$ 107,414
Component Unit Activities Capital Assets, Net	<u>\$ 100,414</u>	<u>\$ 7,000</u>	<u>\$ -</u>	<u>\$ 107,414</u>

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

D. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities for the year. The City uses the general fund to liquidate governmental long-term liabilities.

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental fund. Interest on long-term debt is not accrued in governmental fund, but rather is recognized as an expenditure when due.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Certificates of obligation	\$ 950,000	\$ -	\$ (81,000)	\$ 869,000 *	\$ 75,000
General obligation bond	357,000	-	(13,000)	344,000	16,000
Capital leases	30,326	75,493	(30,326)	75,493 *	14,093
	<u>1,337,326</u>	<u>75,493</u>	<u>(124,326)</u>	<u>1,288,493</u>	<u>105,093</u>
Other liabilities:					
Net pension liability (asset)	(31,258)	35,910	-	4,652	-
Compensated absences	5,756	35,584	(30,001)	11,339	10,205
Total other liabilities	<u>(25,502)</u>	<u>71,494</u>	<u>(30,001)</u>	<u>15,991</u>	<u>10,205</u>
Total Governmental Activities	<u>\$ 1,311,824</u>	<u>\$ 146,987</u>	<u>\$ (154,327)</u>	<u>\$ 1,304,484</u>	<u>\$ 115,298</u>
				<u>\$ 1,189,186</u>	
				<u>\$ 944,493</u>	

Long-term debt due in more than one year

*Debt associated with governmental activities capital assets

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities:					
Bonds, notes, and other payables:					
Capital leases	\$ 41,914	\$ 107,827	\$ (41,914)	\$ 107,827 **	\$ 20,130
	<u>41,914</u>	<u>107,827</u>	<u>(41,914)</u>	<u>107,827</u>	<u>20,130</u>
Other liabilities:					
Net pension liability (asset)	(21,722)	24,695	-	2,973	-
Compensated absences	7,594	17,641	(24,068)	1,167	1,050
Total other liabilities	<u>(14,128)</u>	<u>42,336</u>	<u>(24,068)</u>	<u>4,140</u>	<u>1,050</u>
Total Business-Type Activities	<u>\$ 27,786</u>	<u>\$ 150,163</u>	<u>\$ (65,982)</u>	<u>\$ 111,967</u>	<u>\$ 21,180</u>
				<u>\$ 90,787</u>	
				<u>\$ 107,827</u>	

Long-term debt due in more than one year

**Debt associated with business-type activities capital assets

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Long-term debt at year end was comprised of the following debt issues:

<u>Description</u>	<u>Interest Rates</u>	<u>Balance</u>
<u>Governmental Activities</u>		
Certificates of Obligation		
Series 1999	0.00%	\$ 395,000
Series 2015 Combination Tax & Subordinate Lien	3.76%	474,000
General Obligation		
Series 2015 Refunding Bond	3.76%	344,000
		<u>1,213,000</u>
Capital Leases		
Kansas State Bank	2.90%	75,493
Total Governmental Activities Long-Term Debt		<u><u>\$ 1,288,493</u></u>
<u>Business-Type Activities</u>		
Capital Leases		
Kansas State Bank	2.90%	\$ 107,827
Total Business-Type Activities Long-Term Debt		<u><u>\$ 107,827</u></u>

The annual requirements to amortize certificates of obligation and general obligation bonds outstanding at year end were as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>		
<u>Sept 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 91,000	\$ 30,757	\$ 121,757
2018	95,000	29,215	124,215
2019	99,000	27,523	126,523
2020	103,000	25,681	128,681
2021	107,000	23,688	130,688
2022-2026	440,000	86,142	526,142
2027-2030	278,000	26,658	304,658
Total	<u><u>\$ 1,213,000</u></u>	<u><u>\$ 249,664</u></u>	<u><u>\$ 1,462,664</u></u>

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Capital Leases

The annual requirements to amortize capital leases outstanding at year end were as follows:

Year Ending Sept 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2017	\$ 14,093	2,393	\$ 20,130	3,418	\$ 40,034
2018	14,693	1,793	20,987	2,561	40,034
2019	15,122	1,364	21,600	1,948	40,034
2020	15,564	922	22,231	1,317	40,034
2021	16,021	468	22,879	668	40,036
Total	\$ 75,493	\$ 6,940	\$ 107,827	\$ 9,912	\$ 200,172

The assets acquired under capital leases are as follows:

	Governmental Activities	Business-Type Activities
Equipment	\$ 77,663	\$ 160,927
Less: Accumulated Depreciation	(7,766)	(32,938)
Total	\$ 69,897	\$ 127,989

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

E. Interfund Transactions

Transfers between the primary government funds during the year were as follows:

Fund	Transfer Out	Transfer In
General	\$ -	\$ 52,807
Water, sewer, and gas	52,807	-
	\$ 52,807	\$ 52,807

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures that may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

C. Pension Plans

Texas Municipal Retirement System

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the 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 TMRS with a six-member Board of Trustees (the "Board"). Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmrs.com.

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

Benefits Provided

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

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>2016</u>	<u>2015</u>
Employee deposit rate	5.00%	5.00%
Matching ratio (City to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

Employees Covered by Benefit Terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to, but not yet receiving, benefits	38
Active employees	23
Total	<u><u>63</u></u>

Contributions

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

Employees for the City were required to contribute five percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 1.07 percent and 0.94 percent in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2016 were \$9,213 which equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Actuarial Assumptions

The TPL in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50 % per year
Overall payroll growth	3.00% per year
Investment rate of return	6.75%, 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 Tables with Blue Collar Adjustment, with male rates multiplied by 109 percent and female rates multiplied by 103 percent. 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 Tables with Blue Collar Adjustment are used with male rates multiplied by 109 percent and female rates multiplied by 103 percent with a three-year set-forward for both males and females. In addition, a three percent minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the three percent floor.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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 EAN actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7.00 percent to 6.75 percent. 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 weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the TPL was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the NPL/(NPA).

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability/(Asset) (A) - (B)</u>
Changes for the year:			
Service cost	\$ 49,779	\$ -	\$ 49,779
Interest	39,737	-	39,737
Change of benefit terms	-	-	-
Difference between expected and actual experience	(3,269)	-	(3,269)
Changes of assumptions	23,734	-	23,734
Contributions - employer	-	8,647	(8,647)
Contributions - employee	-	40,405	(40,405)
Net investment income	-	899	(899)
Benefit payments, including refunds of employee contributions	(27,058)	(27,058)	-
Administrative expense	-	(548)	548
Other changes	-	(27)	27
Net Changes	82,923	22,318	60,605
Balance at December 31, 2014	556,317	609,297	(52,980)
Balance at December 31, 2015	\$ 639,240	\$ 631,615	\$ 7,625

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Sensitivity of the NPL/(NPA) to Changes in the Discount Rate

The following presents the NPL/(NPA) of the City, calculated using the discount rate of 6.75 percent, as well as what the City's NPL/(NPA) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability/(Asset)	\$ 104,435	\$ 7,625	\$ (72,356)

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.

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

For the fiscal year ended September 30, 2016, the City recognized net pension expense of \$18,128.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 10,826
Changes in actuarial assumptions	16,585	-
Difference between projected and actual investment earnings	37,735	-
Contributions subsequent to the measurement date	6,706	-
Total	\$ 61,026	\$ 10,826

\$6,706 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 NPL for the fiscal year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense
2017	\$ 11,094
2018	12,283
2019	11,767
2020	8,350
2021	-
Thereafter	-
Total	\$ 43,494

CITY OF KOUNTZE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

D. Other Post Employment Benefits

TMRS Supplemental Death Benefits Fund

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to 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 post employment benefit," or OPEB. For the year ended September 30, 2016, the City offered the supplemental death benefit to both active and retired employees.

Contributions

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

The City's contributions to the TMRS SDBF for the years ended 2016, 2015, and 2014 were \$1,446, \$1,128, and \$1,210, respectively, which equaled the required contributions each year. The City's contribution rates for the past three years are shown below:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Required Contribution (Rate)	0.03%	0.02%	0.01%
Actual Contribution Made	0.03%	0.02%	0.01%
Percentage of ARC Contribution	100.00%	100.00%	100.00%

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KOUNTZE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 262,278	\$ 262,278	\$ 260,311	\$ (1,967)
Sales tax	427,685	427,685	454,630	26,945
Franchise and occupancy taxes	154,467	154,467	162,907	8,440
Fines and forfeitures	288,526	288,526	305,582	17,056
Intergovernmental	21,940	21,940	20,846	(1,094)
Licenses and permits	13,326	13,326	18,235	4,909
Interest	196	196	292	96
Charges for services	272,905	272,905	272,095	(810)
Trade days	27,185	27,185	-	(27,185)
Street program	50,013	50,013	50,072	59
Other revenues	47,221	47,221	27,338	(19,883)
Total Revenues	1,565,742	1,565,742	1,572,308	6,566
Expenditures				
General government	519,933	519,933	488,903	31,030
Public safety	339,214	339,214	314,417	24,797
Public works	245,457	245,457	334,643	(89,186) *
Municipal court	237,004	237,004	248,662	(11,658) *
Library	122,474	122,474	118,203	4,271
Trade days	27,185	27,185	2,778	24,407
Capital outlay	409,975	409,975	58,689	351,286
Debt service:				
Principal	114,500	114,500	124,326	(9,826) *
Interest and fiscal charges	-	-	23,189	(23,189) *
Total Expenditures	2,015,742	2,015,742	1,713,810	301,932
(Deficiency) of Revenues				
(Under) Expenditures	(450,000)	(450,000)	(141,502)	308,498
Other Financing Sources (Uses)				
Debt issued	450,000	450,000	75,493	(374,507)
Transfers in	-	-	52,807	52,807
Total Other Financing Sources	450,000	450,000	128,300	(321,700)
Net Change in Fund Balance	\$ -	\$ -	(13,202)	\$ (13,202)
Beginning fund balance			931,032	
Ending Fund Balance			\$ 917,830	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. * Expenditures exceeded appropriations at the legal level of control.

CITY OF KOUNTZE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2016

		Measurement Year*	
		2014	2015
Total Pension Liability			
Service cost	\$	52,505	\$ 49,779
Interest (on the total pension liability)		36,999	39,737
Changes of benefit terms		-	-
Difference between expected and actual experience		(18,272)	(3,269)
Change of assumptions		-	23,734
Benefit payments, including refunds of employee contributions		(34,453)	(27,058)
Net Change in Total Pension Liability		<u>36,779</u>	<u>82,923</u>
Beginning total pension liability		<u>519,538</u>	<u>556,317</u>
Ending Total Pension Liability	\$	<u>556,317</u>	<u>\$ 639,240</u>
Plan Fiduciary Net Position			
Contributions - employer	\$	5,631	\$ 8,647
Contributions - employee		40,432	40,405
Net investment income		32,375	899
Benefit payments, including refunds of employee contributions		(34,453)	(27,058)
Administrative expense		(338)	(548)
Other		(28)	(27)
Net Change in Plan Fiduciary Net Position		<u>43,619</u>	<u>22,318</u>
Beginning plan fiduciary net position		<u>565,678</u>	<u>609,297</u>
Ending Plan Fiduciary Net Position	\$	<u>609,297</u>	<u>\$ 631,615</u>
Net Pension Liability/(Asset)	\$	<u>(52,980)</u>	<u>\$ 7,625</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		109.52%	98.81%
Covered Employee Payroll	\$	808,635	\$ 808,095
Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll		(6.55%)	0.94%

*Only two years of information is currently available. The City will build this schedule over the next eight-year period.

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CITY OF KOUNTZE, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2016

	Fiscal Year*		
	2014	2015	2016
Actuarially determined contribution	\$ 5,126	\$ 7,714	\$ \$9,213
Contributions in relation to the actuarially determined contribution	5,391	7,714	\$9,213
Contribution deficiency (excess)	<u>\$ (264)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 825,683	\$ 798,748	\$ 947,754
Contributions as a percentage of covered employee payroll	0.65%	0.97%	0.97%

*Only three years of information is currently available. The City will build this schedule over the next seven-year period.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
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.

3. Other Information:

There were no benefit changes during the year.

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Required Auditor Disclosure Letter

April 18, 2017

To the Honorable Mayor and
City Council Members of the
City of Kountze, Texas:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Kountze, Texas (the "City") for the year ended September 30, 2016, and have issued our report thereon dated April 18, 2017. Professional standards require that we provide the City Council (the "governing body") with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit.

I. Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 27, 2016, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with the governing body's oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve the governing body or management of its responsibilities.

II. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to the governing body in our engagement letter dated September 27, 2016.

III. Significant Audit Findings

1. Qualitative Aspects of Accounting Practices

- A. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

- B. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of capital assets is based on industry standards relating to capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Estimates are used in the calculation of the pension liability/(asset) and the required annual contribution. The Texas Municipal Retirement System (TMRS) hires a licensed actuary to make key assumptions and to perform calculations, as well as an independent auditor to review those assumptions and calculations. We evaluated the reasonableness of the employee data provided by the City to TMRS.

- C. The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of long-term debt in the financial statements is significant to financial statement users because it discloses the City's long-term financial obligations.

2. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

3. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes both material and immaterial misstatements detected as a result of our audit procedures.

4. Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

5. Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 18, 2017.

6. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to

determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

IV. Other Matters

We applied certain limited procedures to the Required Supplementary Information (RSI), as identified on the table of contents, which supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

V. Restrictions on Use

This information is intended solely for the use of the Mayor, City Council, and management and is not intended to be, and should not be, used by anyone other than these specified parties.

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

Client: City of Kountze, Texas
Engagement: 4.1 - Kountze 09/30/16
Period Ending: 9/30/2016
Trial Balance: 2.2.01 - TB
Workpaper: 2.5.06 - Adjusted Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
Sales tax accrual adjustment for FY2016.				
10-000-200	Due to KEDC		883.71	
10-000-303	Sales Tax		92.09	
10-000-122	Sales Tax Receivable			92.09
10-000-350	General Fund Res			883.71
Total			975.80	975.80
Adjusting Journal Entries JE # 2				
To accrue compensated absences for water and sewer.				
20-000-207	Compensated Absence Liability		6,427.86	
20-200-411	Wages WS			6,427.86
Total			6,427.86	6,427.86
Adjusting Journal Entries JE # 3				
To accrue 9/29 and 9/30 payroll for general fund.				
10-100-411	Wages		1,530.20	
10-100-412	Social Security		117.06	
10-110-411	Wages PD		1,756.40	
10-110-412	Social Security PD		134.37	
10-170-411	Wages Lib		619.31	
10-170-412	Social Security Lib		47.38	
10-195-411	Wages MC		601.84	
10-195-412	Social Security MC		46.04	
10-000-206	Accrued Salaries			4,852.60
Total			4,852.60	4,852.60
Adjusting Journal Entries JE # 4				
To accrue 9/29 and 9/30 payroll for gas fund.				
30-300-411	Wages Gas		359.04	
30-300-412	Social Security Gas		27.47	
30-000-206	Accrued Salaries			386.51
Total			386.51	386.51
Adjusting Journal Entries JE # 5				
To accrue 9/29 and 9/30 payroll for W/S fund.				
20-200-411	Wages WS		2,979.49	
20-200-412	Social Security WS		227.93	
20-000-206	Accrued Salaries			3,207.42
Total			3,207.42	3,207.42
Adjusting Journal Entries JE # 6				
To accrue Sept 7th through Sept 30th utility revenue.				
20-000-315	Water Revenue		4,077.70	
20-000-114	Unbilled Revenue			4,077.70
Total			4,077.70	4,077.70
Adjusting Journal Entries JE # 7				
To adjust for allowance of uncollectible accounts and accrue accounts receivable at year end				
20-000-115	Accounts Receivable		3,365.12	
20-000-115	Accounts Receivable		7,590.11	
20-000-245	Uncollectible Accounts			3,365.12
20-000-315	Water Revenue			7,590.11
Total			10,955.23	10,955.23
Adjusting Journal Entries JE # 8				
To adjust property tax receivable and deferred revenue for fiscal year end				
10-000-120	Tax Receivables		7,949.40	
10-000-130	Allowance for Doubtful Accounts		1,858.99	
10-000-230	Deferred Revenue			9,808.39
Total			9,808.39	9,808.39
Adjusting Journal Entries JE # 9				
To record TMRS pension activity for 2016 fiscal year.				
20-000-185	Deferred Outflows-Contributions After		215.49	
20-000-186	Deferred Outflows-DM in Proj and Act Earn		13,021.81	
20-000-187	Deferred Outflows-Difference in Assumption Changes		6,758.08	
20-000-286	Deferred Inflows-DM in Exp. And Act, Exp		1,051.72	
20-200-820	Pension Expense		3,648.02	
20-000-267	Net Pension Liability			24,695.12
Total			24,695.12	24,695.12
Adjusting Journal Entries JE # 10				

To record payable found in search for unrecorded liabilities

10-195-623	State Comptroller	25,897.87	
10-000-201	Accounts Payable		25,897.87
Total		25,897.87	25,897.87

Adjusting Journal Entries JE # 11

To correct interest for debt payment posted to incorrect account.

10-000-577	Interest payment for Bonds	8,876.02	
10-000-577	Interest payment for Bonds	12,554.18	
10-100-734	Transfer CEO Series 2015 #60023450		12,554.18
10-100-736	Transfer CEO Series 2015 #60023442		8,876.02
Total		21,429.20	21,429.20

Adjusting Journal Entries JE # 12

To record capital assets and depreciation for 2016 fiscal year

20-000-119	Furniture and Equipment	38,007.20	
20-000-240	Working Fund Balance	73,382.74	
20-200-815	Depreciation Expense	199,659.80	
30-300-815	Depreciation Expense	40,606.06	
20-000-119	Furniture and Equipment		73,382.74
20-000-211	Accumulated Depreciation		199,659.80
20-200-641	Grant Expense		38,007.20
30-000-211	Accumulated Depreciation		40,606.06
Total		349,655.80	349,655.80

Adjusting Journal Entries JE # 13

To move bond payment to correct account.

10-000-575	Principle payment	50,000.00	
10-000-576	KSB Interest expense	1,759.61	
10-100-650	Debt Payment	30,326.23	
10-000-360	Transfer in		50,000.00
10-140-811	Equipment Purchase		32,085.84
Total		82,085.84	82,085.84

Adjusting Journal Entries JE # 14

To move debt payment to correct expense account.

20-000-252	Interest Payable	804.05	
20-000-274	Notes Payable to Kansas State Bank	41,814.37	
20-000-475	Interest Expense	3,341.69	
30-000-252	Interest Payable	804.05	
20-000-475	Interest Expense		804.05
20-200-811	Equipment Purchase		3,341.69
20-200-811	Equipment Purchase		41,814.37
30-300-515	Misc Expense		804.05
Total		46,854.16	46,854.16

Adjusting Journal Entries JE # 15

To record new debt for 2016 fiscal year.

20-000-119	Furniture and Equipment	107,826.95	
20-000-274	Notes Payable to Kansas State Bank		107,826.95
Total		107,826.95	107,826.95

Adjusting Journal Entries JE # 16

To correct expense coded to incorrect line item.

10-160-622	Garbage Contract	83,410.57	
10-140-811	Equipment Purchase		83,410.57
Total		83,410.57	83,410.57

Total Adjusting Journal Entries

Total All Journal Entries

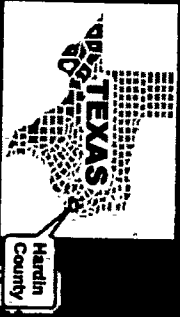
782,557.82	782,557.82
782,557.82	782,557.82

silvemap
P.O. Box 213
Bridge City, TX 77611
409-735-2133

RANCHLAND POA INC.

CCN MAP

DRAWN BY:	L. WILSON
APPROVED BY:	SANDY ELMS
PROJECT NO:	CCN
FILE NO:	CCN Map.mxd
DATE:	MAY, 2017



- Water CNN Service Areas**
- ☐ Ranchland POA Inc
 - ☐ Water Necessities Inc

