

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended September 30, 2017



The City of Anna
111 N. Powell Parkway | Anna, TX 75409
972-924-3325 | www.annatexas.gov

THE CITY OF
Anna

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***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

of the

City of Anna, Texas

**For the Year Ended
September 30, 2017**

Prepared by

Dana Thornhill
Finance Director

Sheila Alexander
Accountant II

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City of Anna, Texas

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INTRODUCTORY SECTION

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March 27, 2018

To the Honorable Mayor and City Council, City Manager,
Citizens of the City of Anna:

The Comprehensive Annual Financial Report (CAFR) of the City of Anna, Texas, for the fiscal year ended September 30, 2017, including the independent auditor's report, is hereby submitted in accordance with the provisions of Section 10.3 of the City Charter. Also, state law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with the generally accepted accounting principles (GAAP), and audited in accordance with generally accepted audited standards by an independent firm of licensed public accountants. This report is published to fulfill those requirements for the fiscal year ended September 30, 2017.

This report is published to provide the Mayor and City Council, city staff, our Citizens, representatives of financial institutions, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. Because the cost of internal controls should not outweigh their benefits, the City of Anna's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance, that the financial statements will be free from material misstatement.

The City of Anna's financial statements have been audited by Lafollett and Abbott PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it.

Profile of the Government

The City of Anna, incorporated in 1913, is located in north central Collin County on U.S. 75, State Highway 5, and State Highway 121, about 40 miles north of Dallas, and is one of the fastest growing cities in the Dallas/Fort Worth Metroplex. The City currently occupies a land area of approximately 15.6 square miles and services approximately 13,625 residents. The City of Anna is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body.

The City of Anna operates under a home rule charter adopted in 2005, with a Council-Manager form of government. Policy-making and legislative authority are vested in the City Council consisting of the Mayor and six Council members. The City Council is responsible for, among other things, passing ordinances, resolutions, and regulations governing the City as well as adopting the budget which serves as the foundation for financial planning and control. The City Council appoints the City Manager, who has full responsibility for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government and appointing the heads of the various departments. The City Council also appoints the City Attorney, City Secretary, and Municipal Judge. The Council is elected on a non-partisan basis. Council members serve three-year staggered terms.

The City of Anna provides a full range of services, including police and fire protection; municipal court; parks and recreation; water and sewer services; solid waste collection/disposal; and the construction and maintenance of streets and other infrastructure. In addition, the City of Anna is also financially accountable for a legally separate economic development corporation and community development corporation, which are reported separately with the City of Anna's financial statements. Additional information on these legally separate entities can be found in the Notes to the Financial Statements. The City employees 79.5 full time equivalent positions.

The annual budget serves as the foundation for the City of Anna's financial planning and control. All departments of the City of Anna are required to submit a budget that would maintain current services and new requests for appropriations separately to the City Manager. The City Manager and Finance Director then use these requests as the starting point for developing a proposed budget. The City Manager and Finance Director then presents a proposed budget to Council for review no later than August 15th. The Council is required to hold public hearings on the proposed budget and to adopt the final budget no later than September 20th.

The appropriated budget is prepared by fund and department (e.g., police). The City Manager may authorize transfers of appropriations within a department and between departments within a fund and within major line item categories. Increases or decreases of appropriations to

a fund; however, require special approval of the City Council in the form of an Ordinance formally amending the adopted budget.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented as part of the basic financial statement for the governmental funds. For other governmental funds with appropriated annual budgets, this comparison is presented in the governmental fund subsection of the report.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Anna operates.

Local Economy

The City of Anna's economic outlook continues to improve due to the overall improvement in the economy and continued residential and commercial growth. This is evidenced by local economic indicators such as a significant increase in tax appraisal values, the increase in residential building permits, and continued sales tax growth. Residential construction activity remains strong in the City of Anna. In FY 2017, the City received 440 single family building permit applications. The City currently has 2,079 new residential lots under development and another 1,751 residential lots in the planning or design phase. A 120-unit multi-family apartment complex is also currently being developed.

The Anna Economic Development Corporation (EDC) works in cooperation with the Community Development Corporation to coordinate efforts that expand the city's business tax base with a focus on creating primary jobs within the City of Anna. The corporations have provided incentives that resulted in much of the retail development that has occurred in Anna since 2008. The EDC was instrumental in recruiting Brookshires Grocery Company, CVS pharmacy, McDonalds, and Walmart. The EDC owns and operates Inc-Cube, a small business incubator located in our downtown. The corporations cooperatively purchased an 85-acre tract of land at the northeast corner of State Highway 5 and the Collin County Outer Loop with the intent of developing a business park.

Anticipated growth is expected to continue for the north Collin County region. This has improved the overall connectivity and mobility to and within Anna, but also will bring continued growth and new development.

Long -Term Financial Planning

The City's fund balance/operating position concept continues to be an important factor in policy decisions. The City's Financial Policy states that the City's target unassigned fund balance is an

amount equal or greater than 25% of annual general fund operating expenditures. The City's ending unassigned fund balance for fiscal year 2017 reflected a fund balance of 73.5% of total expenditures, well above the stated goal. These resources allow the City to avoid disruptions in services during economic downturns and to ensure that there will adequate liquid resources to serve as a financial cushion against the potential shock of unanticipated events.

Major Initiatives

At the end of the 2016-17 fiscal year, the City of Anna had a number of major projects in progress. The City Council and City staff continue to work to ensure completion of ongoing projects that will provide infrastructure improvements to the City of Anna. US 75 and FM 455, which are both TxDOT projects, are currently under construction with FM 455 nearing completion. During 2016-2017, the City met with governmental partners including Collin County, TxDOT and the North Central Texas Council of Governments (NCTCOG) to review the City's transportation priorities and to discuss opportunities to partner on future projects. The City also continues to use developer incentives/agreements to improve other critical roadways within the City.

In addition, for the past several years, the City of Anna has been studying alternatives for the construction of a new buildings and facilities as we continue to grow. In 2017, the City continued to work with an architectural firm hired by the City to continue to evaluate the needs of the City, and develop several conceptual designs of a new City Hall. The City has purchased a 4.1-acre tract of land located at the southeast corner of Fifth Street and Powell Parkway (SH 5). The property's size and proximity to existing City buildings make it an ideal location for the long-term expansion and construction of a City Hall. The City continues to plan for the construction of a new city hall within the next two years.

Additional information related to the capital improvement projects and funding for those improvements is located in the Five-Year Capital Improvements Plan located in the City's annual budget book.

Other Information

Fund Accounting: The City's accounting system is organized and operated on a "fund basis." Each fund is a distinct, self-balancing entity. A description of the various major funds and fund types is contained in the Notes of the financial statements. A description of each individual non-major fund is contained at the beginning of its related combined financial statement.

Basis of Accounting: The City's accounting records for all governmental funds are maintained on the modified accrual basis of accounting. This method recognizes revenue when it is measurable and available and expenditures when goods or services are received. All

proprietary funds are accounted for using the accrual basis of accounting; revenue is recognized when it is earned, and expenses are recognized when they are incurred.

Internal Control: Management of the City is responsible for establishing and maintaining an internal control structure. This structure is designed to provide reasonable, but not absolute, assurance that: (1) City assets are protected from loss, theft or misuse; and (2) City financial records and data are accurate and reliable. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from it, and that the evaluation of cost and benefits requires estimates and judgments by management.

Budgetary Control: Each year, on or before September 20th, the City Council adopts an annual operating budget for the ensuing fiscal year. The operating budget includes anticipated revenues and expenditures for the General Fund, Special Revenue Funds, the Debt Service Fund, and Proprietary Funds. The budget is a planning device that defines the type, quality, and quantity of City goods and services that will be provided to our citizens. The budget is also a control device that serves as a system of "checks and balances" between levels of City government. The budgetary system ensures that individual departments contain their expenditures within limitations set by the City management, and that City management contains expenditures for the entire City within limitations set by the City Council. After adoption, the City Manager may authorize transfers of appropriations within a department and between departments within a fund and within major line item categories. Increases or decreases of appropriations to a fund; however, require special approval of the City Council in the form of an Ordinance formally amending the adopted budget.

Acknowledgements

The presentation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department and all department head directors. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. We would also like to thank the Mayor and the City Council for their continued interest and support for maintaining the highest standards of professionalism in the management of the City of Anna financial operations.

Furthermore, the work of the independent auditors from Lafollett and Abbott, PLLC, is greatly appreciated.

Respectfully submitted,



Dana Thornhill
Finance Director

City Organization Chart



City of Anna, Texas

ELECTED OFFICIALS AND MANAGEMENT

September 30, 2017

City Council

Vacant	Mayor
Justin Burr	Place 1 – Mayor Pro Tem
Rene Martinez	Place 2
John Beazley	Place 3
Vacant	Place 4
Nathan Bryan	Place 5
Lee Miller	Place 6 - Deputy Mayor Pro Tem

Management

Philip Sanders	City Manager
Dana Thornhill	Finance Director
Kenny Jenks	Police Chief
Tim Gothard	Fire Chief
Carrie Smith	City Secretary
Joseph Johnson	Public Works Director
Maurice Schwanke	Director of Planning and Development
Jessica Perkins	Assistant to the City Manager/ Economic Development Officer

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FINANCIAL SECTION

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Susan LaFollett, CPA – Partner
Rod Abbott, CPA – Partner

INDEPENDENT AUDITOR'S REPORT

To the City Council of the
City of Anna, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Anna, Texas (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Anna, Texas, as of September 30, 2017, 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 on pages 4-13, the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund on page 64, the Schedule of Employer Contributions to Pension Plan – TMRS on page 66, and the Schedule of Changes in Net Pension Liability and Related Ratios – Last 10 years on page 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section on pages i-vii, combining and individual fund financial statements and schedules on pages 68-83, and the statistical section on pages 87-104 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion on them or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Anna, Texas internal control over financial reporting and compliance.

In Follett and Abbott PLLC

Tom Bean, Texas
March 27, 2018

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

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City of Anna, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2017

As management of the City of Anna, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information contained in this report.

Financial Highlights

- The City's total combined net position was \$52,426,322 at September 30, 2017. Of this, \$6,774,517 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$5,963,636, an increase of \$2,484,433.
- As of the end of the year, the unassigned fund balance of the General Fund was \$3,741,504 or 61% of total General Fund expenditures.
- The City had an overall increase in net position of \$13,855,711. The increase is primarily a result of \$9,788,695 of capital grants and contributions.
- On a government-wide basis, the City's total liabilities decreased by \$1,459,195.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to 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 financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred inflows of resources, deferred outflows of resources, liabilities, and 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 Anna, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), *Continued*

September 30, 2017

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and economic development. The business-type activities of the City include water, sewer, and sanitation operations.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

City of Anna, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), *Continued*

September 30, 2017

The City maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in a separate section of the report.

The City adopts an annual appropriated budget for its General Fund and Debt Service Fund.

Proprietary Funds

The City's proprietary funds are all enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer, and sanitation operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utility funds, all of which are considered to be major funds of the City.

Component Units

The City maintains the accounting and financial statements for two component units. The Anna Economic Development Corporation and Anna Community Development Corporation, which are discreetly presented component units.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

City of Anna, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), *Continued*

September 30, 2017

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Anna, net position is \$52,426,322 as of September 30, 2017, in the primary government.

The largest portion of the City's net position, \$37,755,346, reflects its investments in capital assets (e.g., land, park improvements, buildings, furniture and fixtures, streets, drainage, machinery and equipment, etc.), less any debt used to acquire those assets that are 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.

The following table reflects the condensed Statement of Net Position:

	2017			2016		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and						
other assets	\$ 6,830,809	\$ 5,770,692	\$12,601,501	\$ 6,588,249	\$ 3,242,149	\$ 9,830,398
Restricted assets	13,251	6,407,402	6,420,653	19,580	7,349,941	7,369,521
Capital assets, net	23,588,968	43,412,757	67,001,725	18,671,866	38,116,329	56,788,195
Total Assets	30,433,028	55,590,851	86,023,879	25,279,695	48,708,419	73,988,114
Deferred Outflows of Resources	401,599	280,733	682,332	402,311	302,507	704,818
Other liabilities	1,273,090	3,686,574	4,959,664	1,812,477	3,074,569	4,887,046
Long-term liabilities	3,665,840	25,434,805	29,100,645	5,648,586	24,983,872	30,632,458
Total Liabilities	4,938,930	29,121,379	34,060,309	7,461,063	28,058,441	35,519,504
Deferred Inflows of Resources	163,387	56,194	219,581	151,679	52,497	204,176
Net Position:						
Net investment						
in capital assets	20,398,968	17,356,378	37,755,346	13,466,866	12,787,858	26,254,724
Restricted	1,489,057	6,407,402	7,896,459	1,550,067	7,349,941	8,900,008
Unrestricted	3,844,285	2,930,232	6,774,517	3,052,331	762,189	3,814,520
Total Net Position	\$ 25,732,310	\$ 26,694,012	\$52,426,322	\$ 18,069,264	\$ 20,899,988	\$38,969,252

City of Anna, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), Continued
September 30, 2017

Statement of Activities:

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

	For the Year Ended September 30, 2017			For the Year Ended September 30, 2016		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
			Primary Government			Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 2,295,832	\$ 9,805,662	\$12,101,494	\$ 1,301,767	\$ 7,523,193	\$ 8,824,960
Operating grants and contributions	351,482	-	351,482	333,948	-	333,948
Capital grants and contributions	6,489,958	3,298,737	9,788,695	-	776,416	776,416
General revenues:						
Property taxes	4,619,461	-	4,619,461	3,973,028	-	3,973,028
Sales taxes	1,203,749	-	1,203,749	1,542,309	-	1,542,309
Franchise and local taxes	505,571	-	505,571	447,498	-	447,498
Investment income	26,199	63,607	89,806	31,816	69,608	101,424
Other revenue	56,327	69,610	125,937	166,773	29,193	195,966
Intergovernmental	185,392	-	185,392	-	-	-
Total Revenues	15,733,971	13,237,617	28,971,588	7,797,139	8,398,410	16,195,549
Expenses						
General government	1,405,085	-	1,405,085	1,393,256	-	1,393,256
Public safety	3,062,333	-	3,062,333	2,727,997	-	2,727,997
Culture and recreation	665,430	-	665,430	584,676	-	584,676
Public works	1,502,775	-	1,502,775	1,261,514	-	1,261,514
Community services	904,227	-	904,227	690,842	-	690,842
Economic and Comm. Development	-	-	-	146,929	-	146,929
Interest and fiscal charges	132,434	-	132,434	174,446	1,173,240	1,347,686
Water, sewer, & sanitation	-	7,443,593	7,443,593	-	6,198,112	6,198,112
Total Expenses	7,672,284	7,443,593	15,115,877	6,979,660	7,371,352	14,351,012
Change in Net Position						
Before Transfers	8,061,687	5,794,024	13,855,711	817,479	1,027,058	1,844,537
Transfers	-	-	-	108,556	(108,556)	-
Total Transfers	-	-	-	108,556	(108,556)	-
Change in Net Position	8,061,687	5,794,024	13,855,711	926,035	918,502	1,844,537
Beginning Net Position	18,069,264	20,899,988	38,969,252	17,143,229	19,981,486	37,124,715
Prior Period Adjustment	(398,641)	-	(398,641)	-	-	-
Ending Net Position	\$ 25,732,310	\$ 26,694,012	\$52,426,322	\$ 18,069,264	\$ 20,899,988	\$38,969,252

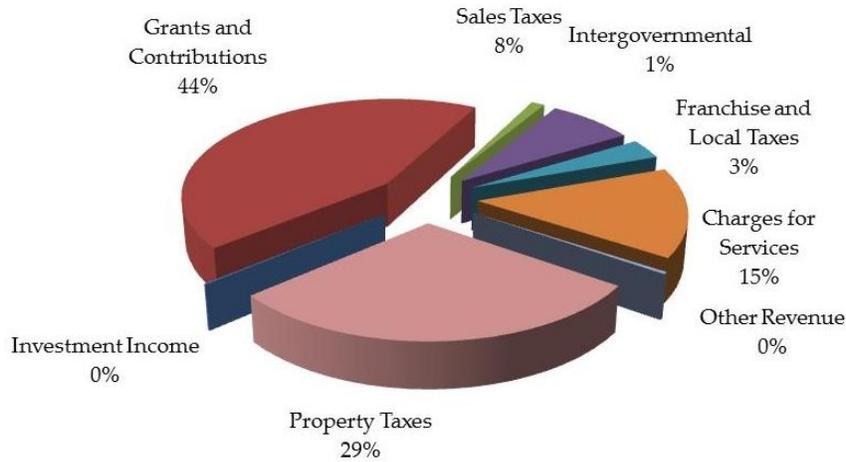
City of Anna, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), *Continued*

September 30, 2017

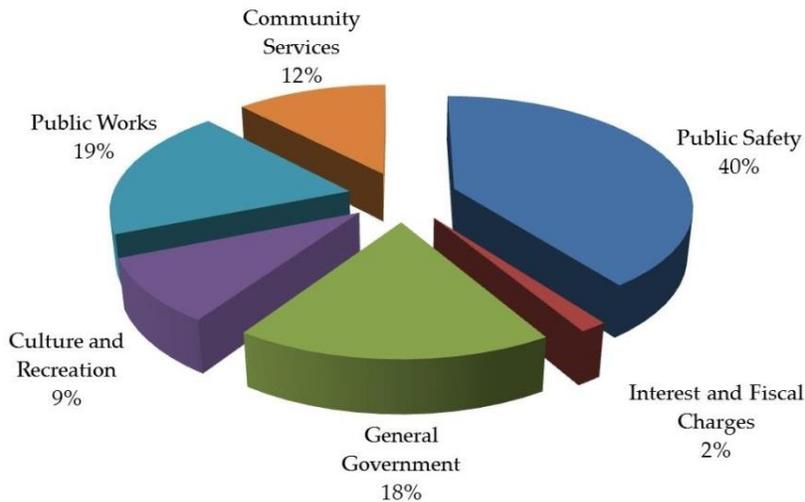
Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

Governmental Activities - Revenues



For the year ended September 30, 2017, revenues from governmental activities totaled \$15,733,971. Grants and contributions, property taxes, and charges for services are the City's largest revenue sources. Property tax increased by \$646,433 or 16% when compared to 2016 due to an increase in overall assessed property values. Grants and contributions increased from \$0 in 2016 to \$6,489,958 mostly due to \$6,343,251 in contributed capital relating to streets and drainage. This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



City of Anna, Texas

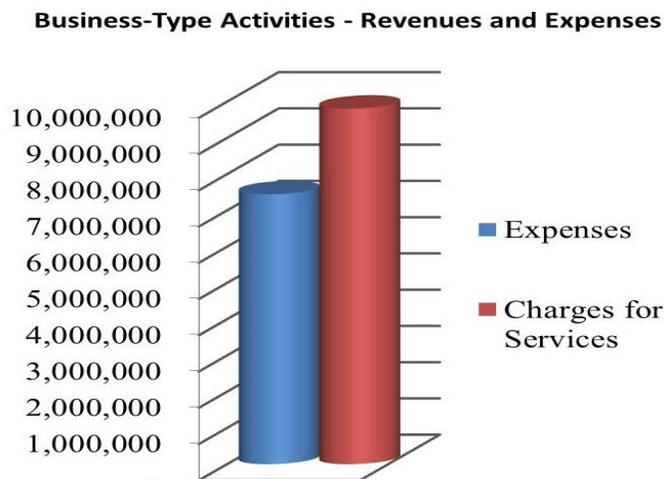
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), *Continued*

September 30, 2017

For the year ended September 30, 2017, expenses for governmental activities totaled \$7,672,284. This represents an increase of \$692,624 or 9.9% from the prior year. The City's largest functional expense is public safety of \$3,062,333 which increased by \$334,336.

Public works totaled \$1,467,800 as of year-end for an increase of \$241,261 or 19.1% due to street rehabilitation projects and advanced paving. Community services increased by \$213,385 or 31% due to an increase in permit fees for Bureau Veritas.

Business-type activities are shown comparing operating costs to revenues generated by related services.



For the year ended September 30, 2017, charges for services by business-type activities totaled \$9,805,662. This is an increase of \$2,282,469, or 30%, from the previous year. This increase directly relates to an increase in the usage/service counts and growth within the City. Expenses totaled \$7,443,593, which was an increase of only \$72,241, or 1%.

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 of 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.

City of Anna, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), *Continued*

September 30, 2017

As of the end of 2017, the General Fund reflected a total fund balance of \$4,495,040. Of this, \$12,768 is considered restricted for parks and \$180,377 is committed for revenue stabilization. \$560,391 is also committed for capital projects. Unassigned fund balance totaled \$3,714,504 as of year-end. The General Fund saw a significant increase in property taxes when compared to the prior year. This directly relates to an increase in property values.

The Debt Service Fund had an ending fund balance of \$15,583 at year-end for an increase of \$12,735. Total principal and interest expenditures incurred during the year were \$328,000 and \$97,376, respectively.

There was an overall increase in governmental fund balances of \$2,484,433 from the prior year. The increase was primarily related to increases in revenues.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive revenue variance of \$487,479 and a positive expenditure variance of \$561,942 for the year. Other financing sources (uses) had an overall negative budget variance of \$1,399. This positive revenue variance was primarily the result of more than anticipated licenses and permit fees due to new development within the City. This fund had an overall positive budget versus actual variance of \$1,048,022. Several supplemental budget amendments were made during the year.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$23,588,968 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$43,412,757 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Street contributions of \$6,343,251 relating to paving and drainage
- Water & Sewer improvements totaling \$3,102,187
- Construction in progress for various water and sewer projects totaling \$2,008,487

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

City of Anna, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), *Continued*

September 30, 2017

LONG-TERM DEBT

At the end of the current year, the City had total bonds, contractual obligations, and capital leases outstanding of \$29,177,760. During the year, the City made payments on long-term debt totaling \$1,905,500. More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economy continues to be strong for the City of Anna and the North Central area. Focused on having a balanced community, the City takes a proactive approach to economic development with its business recruitment efforts, as well as continued development of residential housing options. In addition, the City conservatively manages its budget. The fiscal year 2016-17 budget reflects the commitment of the City Council and staff to preserve and enhance the quality of existing services to our citizens and respond to our city's continuing growth and development, while maintaining a strong financial position.

Since property values stabilized in 2013 following the 2008-2011 housing recession, the City has continued to see healthy increases in the value of existing properties. In 2016, the City saw existing property values increase just over 13% and over \$35,000,000 in new value was added the tax roll. Again, in 2017, the City saw existing property values increase just over 14% and approximately \$65,000,000 in new value was added to the tax roll. We remain cautiously optimistic that we will experience modest, but slowing, appreciation in the value of existing properties and that additional value will be added to the tax roll as a result of new construction in the near term.

The growth in both sales tax and taxable value of real property corresponds to a significant increase in residential growth and population over the past 36 months. According to the most recent population estimates published by the North Central Texas Council of Governments, the City of Anna population as of January 1, 2018 was 13,625.

The City has forecasted the construction of approximately 250 new single-family homes during the 2018 fiscal year. There are currently several residential developments either in design or under construction that will add 2,079 single family lots to our inventory over the next 12 to 36 months.

Of course, with the growth in population comes a proportional increase in demand for municipal services that are funded primarily by property taxes. In order to fund the FY 2018 budget, the City adopted a tax rate of \$0.601288 per \$100 valuation which is a decrease from the tax rate adopted in FY 2017. This marks the 4th year in row that the City Council has been able

City of Anna, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), *Continued*

September 30, 2017

to decrease the City property tax rate. When compared with other cities in our area, the City of Anna still has one of lowest per-capita property tax levies.

Rapid population growth has also resulted in significant investment over the past 10 to 15 years in the City's water and sewer system. Currently the Water and Sewer Fund holds just over \$23.4 million in outstanding debt. The City has worked closely with our financial advisors, Hilltop Securities, to develop a sound debt management plan for the Water and Sewer Fund. Over the past several years, in order to appropriately manage this debt, the City and Hilltop Securities developed a plan to take advantage of call dates and pursue advance refundings of the City's outstanding debt. Every effort has been made to minimize the present value costs to the City.

The City of Anna along with the cities of Melissa, Van Alstyne, and Howe belong to a strategic alliance called the Collin Grayson Municipal Alliance (CGMA). The alliance (CGMA) purchases treated surface water from the North Texas Municipal Water District (NTMWD) through a contract with the Greater Texoma Utility Authority (GTUA). The CGMA purchases a minimum take or pay (MT/P) allocation of water through GTUA from NTMWD. Currently each city is responsible for the percentage of the total MT/P amount that corresponds to the total amount of water each city uses.

This treated surface water supplements the City's water supply especially during the summer months when water consumption is highest. As our population has grown and water demand has increased, we have been required to increasingly supplement our well water with treated surface water. As we have forecasted consumption and production of our wells, it appears that the CGMA as a group will likely exceed the MT/P allocation in FY 2018. When this happens, MT/P amount will reset at the new consumption level, and the City of Anna will be responsible for the cost of all the water we consume above the current MT/P amount. This increased water consumption coupled with an increase in the price of water supplied from NTMWD has resulted in a 52.4% increase in the budgeted cost for treated surface water.

The City of Anna's budget continues to be impacted by moderately strong growth and by conservative fiscal management. The 2017-2018 budget reflects the efforts of the governing body and city staff to address the need to provide services to support our growing community.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Anna's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Finance Director, 111 N. Powell Parkway, Anna, Texas 75409.

FINANCIAL STATEMENTS

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City of Anna, Texas
STATEMENT OF NET POSITION
September 30, 2017

	Primary Government			Component Units	
	Governmental	Business-Type	Total	CDC	EDC
	Activities	Activities			
Assets					
Current assets:					
Cash and cash equivalents	\$ 6,120,668	\$ 4,538,396	\$ 10,659,065	\$ 472,345	\$ 327,424
Investments	123,884	123,884	247,767	-	-
Receivables, net	586,257	1,089,034	1,675,291	238,664	131,517
Inventories	-	19,378	19,378	-	-
Total Current Assets	6,830,809	5,770,692	12,601,501	711,010	458,941
Restricted assets:					
Restricted cash and pooled investments	13,251	4,510,117	4,523,368	-	-
GTUA prepaid reserves	-	1,897,285	1,897,285	-	-
Capital assets:					
Non-depreciable	2,550,155	5,911,114	8,461,269	2,757,904	215,637
Net depreciable capital assets	21,038,813	37,501,643	58,540,456	-	286,272
	23,602,219	49,820,159	73,422,378	2,757,904	501,909
Total Assets	30,433,028	55,590,851	86,023,879	3,468,914	960,850
Deferred Outflows of Resources					
Deferred loss on bond refunding	-	151,220	151,220	-	-
Pension contributions	288,949	91,247	380,196	-	-
Pension investment earnings	112,650	38,266	150,916	-	-
Total Deferred Outflows of Resources	401,599	280,733	682,332	-	-
Liabilities					
Current liabilities:					
Accounts payable and other liabilities	759,250	922,957	1,682,207	1,553	102,201
Accrued salaries	51,684	16,651	68,334	-	-
Customer deposits	-	800,624	800,624	-	-
Due to other governments	-	5,962	5,962	-	-
Accrued compensated absences	145,842	26,328	172,170	-	-
Accrued interest payable	10,897	1,048,424	1,059,321	15,498	-
Current portion of long-term debt	297,000	865,629	1,162,629	204,000	-
Unclaimed property	8,417	-	8,417	-	-
	1,273,090	3,686,574	4,959,663	221,051	102,201
Noncurrent liabilities:					
Due in more than one year	2,893,000	25,190,750	28,083,750	3,295,000	-
Net pension liability	772,840	244,055	1,016,895	-	-
	3,665,840	25,434,805	29,100,645	3,295,000	-
Total Liabilities	4,938,930	29,121,378	34,060,308	3,516,051	102,201
Deferred Inflows of Resources					
Pension (gains) losses	163,387	56,194	219,581	-	-
Total Deferred Inflows of Resources	163,387	56,194	219,581	-	-
Net Position					
Net investment in capital assets	20,398,968	17,356,378	37,755,346	(741,096)	501,909
Restricted for:					
Water and sewer improvements	-	4,510,117	4,510,117	-	-
Capital projects and other	1,489,057	-	1,489,057	-	-
GTUA deposits	-	1,897,285	1,897,285	-	-
Community and economic development	-	-	-	693,958	356,740
Unrestricted	3,844,285	2,930,232	6,774,517	-	-
Total Net Position	\$ 25,732,310	\$ 26,694,012	\$ 52,426,322	\$ (47,138)	\$ 858,649

See Notes to Financial Statements.

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City of Anna, Texas
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Community Development Corporation	Economic Development Corporation
					Governmental Activities	Business-type Activities	Total		
Primary government:									
Governmental activities:									
General government	\$ 1,405,085	\$ 136,465	\$ -	\$ -	\$ (1,268,620)	\$ -	\$ (1,268,620)		
Culture and recreation	665,430	553,511	-	-	(111,919)	-	(111,919)		
Community services	904,227	1,173,516	-	-	269,289	-	269,289		
Public safety	3,062,333	49,950	351,482	-	(2,660,901)	-	(2,660,901)		
Public works	1,502,775	382,390	-	6,489,958	5,369,573	-	5,369,573		
Interest and fiscal charges	132,432	-	-	-	(132,432)	-	(132,432)		
Total governmental activities	7,672,283	2,295,832	351,482	6,489,958	1,464,989	-	1,464,989		
Business-type activities:									
Water and Sewer - operating	7,443,593	9,805,662	-	3,298,737	-	5,660,806	5,660,806		
Total business-type activities	7,443,593	9,805,662	-	3,298,737	-	5,660,806	5,660,806		
Total primary government	15,115,876	12,101,494	351,482	9,788,695	1,464,989	5,660,806	7,125,795		
Component Units:									
Community Development Corporation	390,399	-	-	-				\$ (390,399)	\$ -
Economic Development Corporation	876,350	12,133	-	-				-	(864,217)
Total Component Units	\$ 1,266,748	\$ 12,133	\$ -	\$ -				(390,399)	(864,217)
General revenues:									
Property taxes					4,619,461	-	4,619,461	-	-
Sales taxes					1,203,749	-	1,203,749	674,037	241,060
Franchise and local taxes					505,571	-	505,571	-	-
Investment interest					26,199	63,607	89,807	1,676	1,978
Other Revenue					56,327	69,610	125,937	-	23,733
Intergovernmental					185,392	-	185,392	725,000	-
Total General Revenues					6,596,699	133,218	6,729,916	1,400,713	266,771
Change in Net Position					8,061,687	5,794,024	13,855,711	1,010,315	(597,445)
Beginning Net Position					18,069,264	20,899,988	38,969,252	-	-
Prior period adjustments					(398,641)	-	(398,641)	(1,057,453)	1,456,094
Ending Net Position					\$ 25,732,310	\$ 26,694,012	\$ 52,426,322	\$ (47,138)	\$ 858,649

See Notes to Financial Statements.

City of Anna, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2017

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 3,816,757	\$ 483,007	\$ 1,820,904	\$ 6,120,668
Investments	123,884	-	-	123,884
Receivables, net	569,401	11,886	4,970	586,257
Due from other funds	605,859	-	467,424	1,073,283
Restricted cash	13,251	-	-	13,251
Total Assets	\$ 5,129,152	\$ 494,893	\$ 2,293,298	\$ 7,917,344
<u>Liabilities</u>				
Accounts payable	\$ 368,838	\$ -	\$ 69,478	\$ 438,316
Accrued liabilities	155,986	-	164,948	320,934
Accrued salaries	51,684	-	-	51,684
Unclaimed property	8,417	-	-	8,417
Due to other funds	-	467,424	605,859	1,073,283
Total Liabilities	584,925	467,424	840,285	1,892,634
<u>Deferred Inflows of Resources</u>				
Unavailable revenue:				
Property tax	49,187	11,886	-	61,073
Total Deferred Inflows of Resources	49,187	11,886	-	61,073
<u>Fund Balances</u>				
Committed for:				
Revenue stabilization	180,377	-	-	180,377
Capital projects	560,391	-	-	560,391
Restricted for:				
Parks	12,768	-	-	12,768
Debt service	-	15,583	-	15,583
Public safety	-	-	95,590	95,590
Municipal court	-	-	18,805	18,805
Capital projects	-	-	1,346,312	1,346,312
Unassigned	3,741,504	-	(7,694)	3,733,811
Total Fund Balances	4,495,040	15,583	1,453,013	5,963,636
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 5,129,152	\$ 494,893	\$ 2,293,298	\$ 7,917,344

See Notes to Financial Statements.

City of Anna, Texas

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

September 30, 2017

Fund Balances - Total Governmental Funds	\$ 5,963,636
 Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore not reported in the governmental funds.	
Capital assets - non-depreciable	2,550,155
Capital assets - net depreciable	21,038,813
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
	61,073
 Deferred outflows or resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure).	
Pension contributions	288,949
Pension investment earnings	112,650
 Deferred inflows of resources, represent an acquisition of net position that applies to a future period(s) and so will not be recognized as inflow of resources (revenue) until that time.	
Pension (gains) losses	(163,387)
 Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest payable	(10,897)
Non-current liabilities due in one year	(297,000)
Non-current liabilities due in more than one year	(2,893,000)
Net pension liability	(772,840)
Compensated Absences	(145,842)
Net Position of Governmental Activities	\$ 25,732,310

City of Anna, Texas

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

For the Year Ended September 30, 2017

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property tax	\$ 3,731,880	\$ 897,740	\$ -	\$ 4,629,620
Sales tax	1,203,749	-	-	1,203,749
Franchise and local taxes	505,571	-	-	505,571
Intergovernmental	185,392	-	-	185,392
Charges for services	129,197	-	977,423	1,106,620
Contributions and donations	351,482	-	-	351,482
License and permits	1,115,294	-	-	1,115,294
Fines and forfeitures	73,918	-	-	73,918
Investment income	18,845	2,043	5,311	26,199
Other revenue	80,806	-	37,126	117,932
Total Revenues	7,396,134	899,783	1,019,860	9,315,777
Expenditures				
Current:				
General government	1,204,165	-	17,188	1,221,353
Police department	1,721,746	-	-	1,721,746
Municipal court	115,543	-	2,772	118,315
Fire department	977,551	-	-	977,551
Ambulance	143,173	-	-	143,173
Park	323,349	-	8,900	332,249
Streets	429,128	-	34,652	463,780
Development and animal control	902,552	-	-	902,552
Debt Service:				
Principal	-	328,000	-	328,000
Interest and fiscal charges	-	97,376	-	97,376
Capital outlay	294,697	-	271,277	565,974
Total Expenditures	6,111,904	425,376	334,789	6,872,069
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,284,230	474,407	685,071	2,443,708
Other Financing Sources (Uses)				
Transfers in	-	-	585,209	585,209
Transfers (out)	(117,785)	(467,424)	-	(585,209)
Bond Proceeds	-	850,000	-	850,000
Debt Issuance Costs	-	(23,350)	-	(23,350)
Payment to Escrow	-	(820,899)	-	(820,899)
Proceeds from sold assets	8,601	-	26,373	34,974
Total	(109,184)	(461,672)	611,582	40,726
Net Change in Fund Balances	1,175,045	12,735	1,296,653	2,484,433
Beginning fund balances (restated)	3,319,995	2,848	156,360	3,479,203
Ending Fund Balances	\$ 4,495,040	\$ 15,583	\$ 1,453,013	\$ 5,963,636

See Notes to Financial Statements.

City of Anna, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended September 30, 2017

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

Net change in fund balances - total governmental funds	\$ 2,484,433
--	--------------

Governmental funds report capital outlay 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 contributions are only recognized on the statement of activities.

Capital outlay	565,974
Depreciation expense	(1,652,757)
Capital contributions	6,489,958
Net effect of capital disposals and transfers	(131,727)

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.

(Increases) in compensated absences	(6,358)
Increases in accrued interest	(11,707)
Pension expense	(14,288)

Various other reclassification and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This includes the realization of changes in deferred revenues from the prior year and other items.

10,159

The principal payments on long-term debt (e.g., bonds, leases, certificates of obligation) are current financial (uses) for the governmental funds. These payments are recognized as a reduction of long-term debt for the Statement of Activities:

Principal payments	328,000
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Change in Net Position of Governmental Activities	\$ 8,061,687
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See Notes to Financial Statements.

City of Anna, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUND (Page 1 of 2)
September 30, 2017

	Utility Fund
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 4,538,396
Certificates of deposit	123,884
Receivables, net	1,089,034
Inventories	19,378
Total Current Assets	5,770,692
<u>Noncurrent Assets</u>	
Restricted cash and pooled investments	4,510,117
GTUA prepaid reserves	1,897,285
Capital assets:	
Non-depreciable	5,911,114
Net depreciable capital assets	37,501,643
Total Noncurrent Assets	49,820,159
Total Assets	55,590,851
<u>Deferred Outflows of Resources</u>	
Deferred loss on bond refunding	151,220
Pension investment earnings	38,266
Pension contributions	91,247
Total Deferred Outflows of Resources	280,733

City of Anna, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUND (Page 2 of 2)
September 30, 2017

<u>Liabilities</u>	<u>Utility Fund</u>
<u>Current Liabilities</u>	
Accounts payable	\$ 882,951
Salaries payable	16,651
Other liabilities	40,006
Bond interest payable	1,048,424
Due to other governments	5,962
Customer deposits	800,624
Accrued compensated absences	26,328
Current portion of long-term debt	865,629
Total Current Liabilities	3,686,574
 <u>Noncurrent Liabilities</u>	
Due in more than one year	25,190,750
Net pension liability	244,055
Total Noncurrent Liabilities	25,434,805
Total Liabilities	29,121,378
 <u>Deferred Inflows of Resources</u>	
Pension (gains) losses	56,194
Total Deferred Inflows of Resources	56,194
 <u>Net Position</u>	
Net investment in capital assets	17,356,378
Restricted for:	
GTUA deposits	1,897,285
Water and sewer improvements	4,510,117
Unrestricted	2,930,232
Total Net Position	\$ 26,694,012

See Notes to Financial Statements.

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City of Anna, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2017

	Utility Fund
<u>Operating Revenues</u>	
Water	\$ 3,989,269
Sewer	2,338,775
Sanitation	911,084
Inspection fees	690,730
Installation and tap fees	234,712
Groundwater production fees	59,692
Total Operating Revenues	8,224,262
<u>Operating Expenses</u>	
Depreciation	1,558,201
Personnel services	1,126,838
North Texas M.W.D. and GTUA water costs	889,388
Contracted services	808,423
Sanitation contract	741,474
Reimbursed developer fees	532,000
Utilities	418,993
Supplies	343,516
Other expenses	71,428
Total Operating Expenses	6,490,261
Operating Income (Loss)	1,734,001
<u>Nonoperating Revenues (Expenses)</u>	
Investment income	63,607
Gain on sold capital assets	19,081
Interest expense	(953,332)
Other revenue	50,530
Developer and impact fees	1,581,400
Total Nonoperating Revenues (Expenses)	761,286
Income (Loss) Before Transfers and Capital Contributions	2,495,287
Transfers in	467,424
Transfers (out)	(467,424)
Contributed capital	3,298,737
Change in Net Position	5,794,024
Beginning net position	20,899,988
Ending Net Position	\$ 26,694,012

See Notes to Financial Statements.

City of Anna, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)
For the Year Ended September 30, 2017

	Utility Fund
Operating Activities:	
Receipts from customers and users	\$ 8,178,754
Payments to suppliers	(3,056,388)
Payments to employees	(1,550,933)
Net cash provided (used) by operating activities	3,571,434
 Capital and Related Financing Activities:	
Proceeds from sold assets	19,081
Developer contributions	1,581,400
Cash from restricted capital improvements accounts	1,044,415
Cash paid for acquisition and construction of capital assets	(2,237,106)
Interest paid on long-term debt	(879,302)
Principal payments on debt	(772,500)
Net cash provided (used) by capital and related financing activities	(1,244,012)
 Non-capital and Related Financing Activities	
Net cash provided (used) by non-capital and related financing activities	-
 Investing Activities:	
Interest received	63,607
Net cash provided (used) by investing activities	63,607
Net increase (decrease) in cash and cash equivalents	2,391,029
Cash and cash equivalents, October 1	2,147,367
Cash and cash equivalents, September 30	\$ 4,538,396

See Notes to Financial Statements.

City of Anna, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2017

Reconciliation of Operating Income to Net Cash Provided

(Used) by Operating Activities:

Operating income (loss)	\$ 1,734,001
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	1,558,201
Decrease (increase) in accounts receivable	(126,922)
Decrease (increase) in inventories	(9,483)
Increase (decrease) in accounts payable	325,221
Increase (decrease) in other liabilities	1,734
Increase (decrease) in customer deposits	81,415
Increase (decrease) in accrued compensated absences	7,268
Net cash provided by operating activities	<u>\$ 3,571,434</u>

Non-cash capital activities:

Contributions of capital assets	\$ 3,298,737
Capital assets acquired through capital leases	<u>\$ 1,340,010</u>

See Notes to Financial Statements.

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City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Anna, Texas (the "City") is a home rule charter city that operates under a council manager form of government. The City provides the following services: public safety, ambulance, streets, sanitation, planning and zoning, and general administrative services. Other services include water, sewer, and sanitation operations.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) applicable to government units. The following is a summary of the more significant accounting policies.

A. Description of 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 of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, 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.

B. Reporting Entity

The City is an independent political subdivision of the State of Texas governed by an elected council and is considered a primary government for financial reporting purposes as its activities are not considered a part of any other governmental or other type of reporting entity. 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 Anna Economic Development Corporation ("EDC") and Anna Community Development Corporation ("CDC"), although legally separate, are considered part of the reporting entity. No other entities have been included in the City's 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

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

separately elected governing body; it is legally separate; and 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 Units

Anna Economic Development Corporation

The Anna Economic Development Corporation is governed by a board of seven directors, all of whom are appointed by the City Council at its will. The EDC fund was incorporated in the state of Texas as a nonprofit industrial development corporation under Section 4B of the Development Corporation Act of 1979. The purpose of the EDC is to promote economic development within the City of Anna. The EDC is presented discretely because the criteria for blended presentation was not met. Separately audited financial statements are not issued.

Anna Community Development Corporation

The Anna Community Development Corporation is governed by a board of seven directors, all of whom are appointed by the City Council at its will. The CDC fund was incorporated in the state of Texas as a nonprofit industrial development corporation under Section 4A of the Development Corporation Act of 1979. The purpose of the CDC is to promote community development within the City of Anna. The CDC is presented discretely because the criteria for blended presentation was not met. Separately audited financial statements are not issued.

C. Basis of Presentation – Government-Wide and Fund Financial Statements

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

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 government's water and transit functions and various other functions of the government. Elimination of these charges

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its blended component units. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund

The General Fund is the main operating fund of the City and is used to account for all financial transactions not properly includable in other funds. 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 culture and recreation.

Debt Service Fund

The City accounts for the accumulation of financial resources for the payments of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is restricted exclusively for debt service expenditures.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the City's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The government reports the following major enterprise fund:

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

Utility Fund

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

Additionally, the government reports the following non-major fund types:

Capital Projects Fund

Accounts for the acquisition and construction of governmental-type assets from expenditures of debt proceeds, capital grants, or other sources restricted for governmental type asset acquisition.

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in a Special Revenue Fund. These funds consist of the child safety fund, police seizure fund, police training fund, court security fund, court technology fund, PEG capital fund, park construction fund, fire department capital improvement fund, roadway impact fee service area one, and road capital developer agreements fund.

During the course of operations the government 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 and internal service 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

City of Anna, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus refers to what is being measured and basis of accounting refers to when transactions are recorded in the financial records and reported on the financial statements and relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

All governmental funds are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time. Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

E. 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 and liabilities and disclosure of contingent assets and liabilities

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

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.

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

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities 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.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexSTAR, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code.

In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Fair Value

As of September 30, 2017, The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. 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). The inventories are valued at the lower of cost or fair using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

6. 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. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Category	Depreciable Life in Years
Buildings	20 years
Water & Sewer System infrastructure	35 years
Equipment	3-20 years
Streets	20 years

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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.

An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines and forfeitures. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

8. Net Position Flow Assumption

Sometimes the government 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 statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. Fund Balance Flow Assumptions

Sometimes the government 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 government'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.

City of Anna, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through non-spendable (non-spendable fund balance), restricted (restricted fund balance), commitment (committed fund balance), assignment (assigned fund balance), and unassigned (unassigned fund balance).

The non-spendable fund balance classification includes inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).

The restricted fund balance classification includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government 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 government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The 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.

Unassigned fund balance is the residual classification for the government's General Fund and includes all spendable amounts not contained in the other classifications, and other funds that have total negative fund balances.

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

11. Compensated Absences

The City maintains formal programs for vacation and sick leave. Eligible employees are granted vacation pay benefits in varying amounts to specified maximums depending on tenure with the City. The City's personnel policy permits its eligible employees to accumulate earned but unused vacation pay benefits.

There is no liability for unpaid accumulated sick leave as the City will not pay any unused amounts when employees separate from service with the City.

The estimated amount of accrued vacation and sick pay benefits 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 upon maturity. Amounts of accrued vacation pay benefits 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.

12. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

City of Anna, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

13. Pensions

For 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. Proprietary Funds Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating 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 Utility Fund are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds. Reconciling items have been presented on the balance sheet of governmental funds in the basic financial statements.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report 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. A reconciliation has been presented in the basic financial statements.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General, Debt Service, and Utility Funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control is defined at the fund level. No funds can be transferred or added to a budgeted fund without Council approval. Appropriations lapse at the end of the year.

City of Anna, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2017, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Maturity (Years)</u>
Certificates of deposit	\$ 247,767	0.11
External investment pools	264,899	0.12
Total fair value	<u>\$ 512,666</u>	
Portfolio weighted average maturity		0.12

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

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. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of the deposits. The City's investment policy requires funds on bank deposit at the depository bank to be collateralized by securities with a collective fair value (fair value of the principal and accrued interest) of at least 102%. As of September 30, 2017, the fair value of pledged securities and FDIC exceeded bank balances.

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession.

Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

B. Receivables

The following comprise receivable balances of the primary government at year end:

	General	Debt		Utility	Total
		Service	Nonmajor		
Property taxes	\$ 49,187	\$ 11,886	\$ -	\$ -	\$ 61,073
Sales tax	245,590	-	-	7,077	252,667
Other	138,284	-	-	-	138,284
Accounts	136,339	-	4,970	1,261,931	1,403,240
Allowance	-	-	-	(179,974)	(179,974)
	<u>\$ 569,400</u>	<u>\$ 11,886</u>	<u>\$ 4,970</u>	<u>\$ 1,089,034</u>	<u>\$ 1,675,290</u>

City of Anna, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclasses</u>	<u>Ending Balances</u>
Capital assets, not being depreciated				
Land	\$ 1,671,786	\$ 20,266	\$ 677,899	\$ 2,369,951
Construction in progress	777,768	180,205	(777,768)	180,205
Total capital assets not being depreciated	<u>2,449,554</u>	<u>200,471</u>	<u>(99,869)</u>	<u>2,550,156</u>
Capital assets, being depreciated				
Park improvements	5,468,124	192,707	-	5,660,831
Buildings	1,646,775	-	-	1,646,775
Furniture and fixtures	69,897	-	-	69,897
Streets and drainage	17,535,528	6,343,251	-	23,878,779
Machinery and equipment	2,885,359	309,003	(36,402)	3,157,960
Total capital assets being depreciated	<u>27,605,683</u>	<u>6,844,961</u>	<u>(36,402)</u>	<u>34,414,242</u>
Less accumulated depreciation				
Park improvements	1,466,948	292,241	-	1,759,189
Buildings	496,592	87,700	-	584,292
Furniture and fixtures	69,898	-	-	69,898
Streets and drainage	7,933,002	991,642	-	8,924,644
Machinery and equipment	1,805,590	281,173	(49,356)	2,037,407
Total accumulated depreciation	<u>11,772,030</u>	<u>1,652,756</u>	<u>(49,356)</u>	<u>13,375,430</u>
Net capital assets being depreciated	<u>15,833,653</u>	<u>5,192,205</u>	<u>12,954</u>	<u>21,038,812</u>
Total Capital Assets	<u>\$ 18,283,207</u>	<u>\$ 5,392,676</u>	<u>\$ (86,915)</u>	<u>\$ 23,588,968</u>

Depreciation was charged to governmental functions as follows:

Streets	\$ 1,039,425
Parks	332,955
Police department	152,059
Fire department	73,798
General government	51,912
Development and animal control	2,607
Total Governmental Activities Depreciation Expense	<u>\$ 1,652,756</u>

City of Anna, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

A summary of changes in business-type activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclasses</u>	<u>Ending Balances</u>
Capital assets, not being depreciated				
Land	\$ 808,658	\$ 97,988	\$ -	\$ 906,646
Construction in progress	3,420,570	2,008,487	(424,589)	5,004,468
Total capital assets not being depreciated	<u>4,229,228</u>	<u>2,106,475</u>	<u>(424,589)</u>	<u>5,911,114</u>
Capital assets, being depreciated				
Furniture and fixtures	5,620	-	-	5,620
Buildings and improvements	486,244	-	-	486,244
Equipment	1,706,090	130,631	(62,265)	1,774,456
Water treatment system	7,896,576	1,536,560	(314)	9,432,822
GTUA water improvements	17,118,710	-	-	17,118,710
GTUA sewer improvements	939,796	-	-	939,796
Water and sewer system	17,898,455	3,102,187	403,678	21,404,320
Total capital assets being depreciated	<u>46,051,491</u>	<u>4,769,378</u>	<u>341,099</u>	<u>51,161,968</u>
Less accumulated depreciation				
Furniture and fixtures	5,620	-	-	5,620
Buildings and improvements	147,622	23,567	-	171,189
Equipment	995,270	220,840	(62,266)	1,153,844
Water and sewer system	11,015,878	1,313,794	-	12,329,672
Total accumulated depreciation	<u>12,164,390</u>	<u>1,558,201</u>	<u>(62,266)</u>	<u>13,660,325</u>
Net capital assets being depreciated	<u>33,887,101</u>	<u>3,211,177</u>	<u>403,365</u>	<u>37,501,643</u>
Total Capital Assets	<u>\$ 38,116,329</u>	<u>\$ 5,317,652</u>	<u>\$ (21,224)</u>	<u>\$ 43,412,757</u>

Depreciation was charged to business-type functions as follows:

Water and sewer	<u>\$ 1,558,201</u>
Total Business-type Activities Depreciation Expense	<u>\$ 1,558,201</u>

D. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the Debt Service Fund to liquidate governmental long-term liabilities.

City of Anna, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities:					
Bonds, notes, and other payables:					
General obligation bonds	\$ 1,563,000	\$ 850,000	\$ (268,000)	\$ 2,145,000	\$ 127,000
Certificates of obligation	1,910,000	-	(865,000)	1,045,000	170,000
	<u>3,473,000</u>	<u>850,000</u>	<u>(1,133,000)</u>	<u>3,190,000</u>	<u>297,000</u>
Other liabilities:					
Compensated absences	139,484	6,358	-	145,842	145,842
Net pension liability	779,638	-	(6,798)	772,840	-
Total Governmental Activities	<u>\$ 4,392,122</u>	<u>\$ 856,358</u>	<u>\$ (1,139,798)</u>	<u>\$ 4,108,682</u>	<u>\$ 442,842</u>
Long-term liabilities due in more than one year				<u>\$ 3,665,840</u>	

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Business-type Activities:					
Bonds, notes, and other payables:					
Contract revenue bonds	\$ 8,997,500	\$ -	\$ (457,500)	\$ 8,540,000	\$ 431,250
Contract revenue refunding bonds	1,895,000	-	(100,000)	1,795,000	105,000
TWDB state participation agreement	2,168,750	-	-	2,168,750	-
Combination tax & revenue certificates of obligation	8,160,000	-	(150,000)	8,010,000	155,000
Combination tax & revenue refunding bonds	4,199,000	-	(65,000)	4,134,000	52,000
Capital leases	-	1,340,010	-	1,340,010	122,379
Premium	76,243	-	(7,624)	68,619	7,624
	<u>25,496,493</u>	<u>1,340,010</u>	<u>(780,124)</u>	<u>26,056,379</u>	<u>873,253</u>
Other liabilities:					
Compensated absences	19,060	7,268	-	26,328	26,328
Net pension liability	259,879	-	(15,824)	244,055	-
Total Business-type Activities	<u>\$ 25,775,432</u>	<u>\$ 1,347,278</u>	<u>\$ (795,948)</u>	<u>\$ 26,326,762</u>	<u>\$ 899,581</u>
Long-term liabilities due in more than one year				<u>\$ 25,427,181</u>	

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 funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

City of Anna, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

Primary government long-term debt at year end was comprised of the following debt issues:

Governmental Activities:	Interest Rates	Orig. Balance	Current Balance
General Obligation Bonds			
Series 2014B General Obligation Refunding Bond	0.3% to 2.395%	1,462,000	1,356,000
Series 2016 General Obligation Refunding Bond	2.0%	850,000	789,000
Total General Obligation Bonds		\$ 2,312,000	2,145,000
Certificates of Obligation			
2006 Combination Tax & Limited Surplus Revenue Certificates of Obligation	3.5% to 5.25%	2,480,000	405,000
	4.28% (to 15% on		
2009 Tax & Revenue Certificate of Obligation	02/15/2018)	900,000	640,000
Total Certificates of Obligation		\$ 3,380,000	1,045,000
Total Governmental-Type Activities Debt		\$ 5,692,000	3,190,000
Business-type Activities:			
Contract Revenue Bonds			
2005 GTUA Contract Revenue Bond	4.42%	\$ 2,885,000	\$ 1,795,000
Series 2006 GTUA Contract Revenue Bonds (12 &15)	2.95% to 3.75%	2,125,000	1,150,000
Series 2007 GTUA Contract Revenue Bonds	3.07% to 5.57%	760,000	485,000
2007 GTUA Contract	3.07% to 5.57%	1,105,000	715,000
2007 GTUA Contract	2.95% to 4.10%	2,325,000	1,500,000
2007 GTUA Contract	3.07% to 5.62%	3,365,000	3,010,000
2008 GTUA Contract	2.29% to 5.74%	540,000	345,000
CGMA Pipeline Project Phase I	2.29% to 5.74%	700,000	435,000
CGMA Pipeline Project Phase II	2.67% to 5.62%	1,250,000	900,000
Total Contract Revenue & Revenue Refunding Bonds		\$ 15,055,000	\$ 10,335,000
Capital Leases			
2017 AMI Meter Leases	2.00%	1,340,010	1,340,010
Total Capital Leases		\$ 1,340,010	1,340,010
TWDB State Participation Agreement			
CGMA Pipeline Project Phase II	5.68% to 5.83%	2,168,750	2,168,750
Total TWDB State Participation Agreement		\$ 2,168,750	2,168,750
Combination Tax & Revenue Certificates of Obligation			
2012 Combination Tax & Revenue Certificates of Obligation	1.5% to 2.5%	4,210,000	3,970,000
2014 Combination Tax & Revenue Certificates of Obligation	2.0% to 2.65%	4,180,000	4,040,000
Total Combination Tax & Revenue Certificates of Obligation		\$ 8,390,000	8,010,000
Combination Tax & Revenue Refunding Bonds			
2009 Combination Tax & Revenue Refunding Bond	4.28% (to 15% on 12/15/2018)	4,165,000	1,705,000
2014A Refunding Bonds	2.11%	2,598,000	2,429,000
Total Combination Tax & Revenue Refunding Bonds		\$ 6,763,000	4,134,000
Total Business-type Activities Debt		\$ 33,716,760	25,987,760

City of Anna, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

The annual requirements to amortize the primary government debt issues outstanding at year ending were as follows:

Governmental-type Activities:

	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2018	\$ 127,000	\$ 42,442	\$ 170,000	\$ 72,296
2019	96,000	40,512	180,000	94,925
2020	107,000	38,782	185,000	82,675
2021	259,000	35,538	50,000	72,750
2022	265,000	30,689	50,000	65,250
2023	285,000	25,189	50,000	57,750
2024	286,000	19,112	55,000	49,875
2025	306,000	12,556	55,000	41,625
2026	313,000	5,573	60,000	33,000
2027	101,000	1,010	60,000	24,000
2028	-	-	65,000	14,625
2029	-	-	65,000	4,875
Total	\$ 2,145,000	\$ 251,402	\$ 1,045,000	\$ 613,646

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 Anna, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

Business-type Activities:

	Contract Revenue Bonds		Contract Revenue Refunding Bonds		TWDB State Participation Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 431,250	\$ 418,948	\$ 105,000	\$ 79,339	\$ -	\$ 125,206
2019	463,750	400,680	105,000	74,698	-	125,206
2020	581,250	380,587	110,000	70,056	-	125,206
2021	608,750	354,582	210,000	65,195	-	125,206
2022	631,250	326,779	210,000	55,913	-	125,206
2023	665,000	297,500	220,000	46,631	-	125,206
2024	687,500	266,363	230,000	36,907	-	125,206
2025	740,000	233,422	235,000	26,741	-	125,206
2026	778,750	197,679	245,000	16,354	95,000	125,206
2027	662,500	159,734	60,000	5,525	100,000	119,810
2028	492,500	125,331	65,000	2,873	106,250	114,080
2029	325,000	99,035	-	-	112,500	107,992
2030	345,000	80,647	-	-	118,750	101,545
2031	363,750	61,153	-	-	125,000	94,741
2032	382,500	40,605	-	-	133,750	87,578
2033	87,500	18,968	-	-	140,000	79,915
2034	92,500	13,910	-	-	148,750	71,823
2035	97,500	8,571	-	-	156,250	63,225
2036	103,750	2,915	-	-	166,250	54,194
2037	-	-	-	-	176,250	44,584
2038	-	-	-	-	185,000	34,397
2039	-	-	-	-	197,500	23,612
2040	-	-	-	-	207,500	12,097
Total	\$ 8,540,000	\$ 3,487,405	\$ 1,795,000	\$ 480,232	\$ 2,168,750	\$ 2,136,441

City of Anna, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

Business-type Activities Cont.

	Combination Tax & Revenue Certificates of Obligation		Combination Tax & Revenue Refunding Bonds		Water Meter Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 155,000	\$ 233,238	\$ 52,000	\$ 235,604	\$ 122,379	\$ 26,800
2019	160,000	230,088	270,000	323,863	124,826	24,353
2020	160,000	226,888	595,000	293,931	127,323	21,856
2021	170,000	223,388	487,000	247,589	129,869	19,310
2022	170,000	219,588	510,000	207,700	132,466	16,713
2023	175,000	215,300	524,000	165,338	135,116	14,063
2024	210,000	210,000	544,000	120,953	137,818	11,361
2025	245,000	203,663	565,000	74,177	140,574	8,605
2026	420,000	193,413	587,000	25,101	143,386	5,793
2027	735,000	175,750	-	-	146,253	2,926
2028	765,000	153,650	-	-	-	-
2029	790,000	130,738	-	-	-	-
2030	815,000	106,801	-	-	-	-
2031	840,000	81,830	-	-	-	-
2032	870,000	55,999	-	-	-	-
2033	905,000	29,183	-	-	-	-
2034	425,000	7,756	-	-	-	-
Total	\$ 8,010,000	\$ 2,697,269	\$ 4,134,000	\$ 1,694,254	\$ 1,340,010	\$ 151,780

CONTRACTUAL OBLIGATIONS WITH GREATER TEXOMA UTILITY AUTHORITY

Under the terms of long term water supply and sewer service contracts between the City and Greater Texoma Utility Authority (GTUA), the City recognizes that GTUA has an undivided ownership interest in the City's water system and sewer collection and treatment facility equivalent to the percentage of the total cost of the facility provided by GTUA through the issuance of GTUA bonds.

The City has a contractual obligation to make payments specified by the contract to GTUA to pay the principal and interest on the bonds, maintain a Reserve Fund for the security and payment of bonds similarly secured, pay the administrative and overhead expenses of GTUA directly attributable to the bonds, and pay any extraordinary expenses incurred by GTUA in connection with the bonds. Under terms of the contracts the City's obligation to make payments to GTUA, as well as GTUA's ownership interest in the facilities terminates, when all of GTUA's bonds issued in connection with construction of the facilities have been paid in full, are retired, and are no longer outstanding.

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

Collin Grayson Municipal Alliance Transmission Water Pipeline

In 2004, the City, along with the City of Van Alstyne, Howe, and Melissa, formed a group called the Collin Grayson Municipal Alliance ("CGMA"). CGMA entered into a long-term contractual obligation with GTUA for the purpose of providing funds for the construction of a transmission water pipeline that will provide water to CGMA cities. The cost of the pipeline is being funded in four phases.

Each CMGA city was required to make payments to GTUA in an amount equivalent to 25% of the total obligation to cover their portion of the cost of the obligation until the pipeline project was completed. As water continues to flow to each CGMA city, the City shall be charged its percentage or fraction share of debt service on the obligation based upon the amount of water to be paid by the City under its water contract (i.e. the greater of its minimum take-or-pay amount or the actual amount of water taken) divided by the total amount of water to be paid by all CGMA cities. The sum of the four (4) fractional amounts shall always equal 100% of the debt service on the contractual obligation with GTUA. The billing rates for each City will be calculated to provide funds necessary to cover the contractual obligation, interest, repairs, maintenance, and production costs.

At the end of the contractual obligation with GTUA, the City will own an undivided interest in the transmission water pipeline based on the percentage of water it utilized and paid for during the contract term. The contract will expire and the transfer of ownership will occur during the fiscal year ended September 30, 2040, as long as no new debt is issued.

E. Deferred Charges on Refunding

Deferred charges resulting from the issuance of series 2014 tax and revenue refunding bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding bonds. The current year balance for business-type activities totaled \$151,220. Current year amortization expense for business-type activities totaled \$16,802.

F. Customer Deposits

The City had customer deposits of \$800,624 in the Utility Fund as of year-end. The City requires a refundable deposit for all new utility customers. This amount will be returned to the customer when utility service is discontinued and all outstanding utility expenses are paid.

City of Anna, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

G. Fund Balances and Restricted Net Position

Governmental-Type Fund Balances

The City authorized the City Administrator to designate certain fund balances as assigned. Excluding unassigned fund balances, the following describes the City's fund balance classifications at September 30, 2017:

Restricted Fund Balances

All fund balances in spendable form for the Capital Projects, Debt Service, and Special Revenue funds are restricted for the intended purpose of these funds. Restricted Fund Balances of \$13,251 for the General Fund represents assets restricted by law or by agreements with third parties.

Committed Fund Balances

The City Council has committed \$180,377 of General Fund fund balance for 2017 revenue stabilization in the event of budget shortfalls. This contingency amount must be expended in accordance with Section 7.08 of the Anna City Charter. City Council also committed \$560,391 of the General Fund balance for purposes of completing projects and purchases of tools and equipment.

Negative Fund Balances

The Capital Projects Fund has a \$7,693 negative fund balance at September 30, 2017. The City's annual budget is adopted and amended as necessary to ensure any negative fund balances are only temporary in nature. The City expects both fund balances to become positive during fiscal year 2018 with reimbursement made to them by other funds and/or third parties.

H. Interfund Transactions

The compositions of interfund due to/from balances as of the year ended September 30, 2017 were as follows:

<u>Due to:</u>	<u>Due From:</u>			
	<u>Debt Service</u>	<u>Water & Sewer</u>	<u>Nonmajor</u>	<u>Total</u>
General	\$ -	\$ -	\$ 605,859	\$ 605,859
Water & Sewer	467,424	-	-	467,424
Nonmajor	-	467,424	-	467,424
	<u>\$ 467,424</u>	<u>\$ 467,424</u>	<u>\$ 605,859</u>	<u>\$ 1,540,707</u>

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

Interfund balances resulted from the timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be paid in the subsequent year.

Transfers between the primary government funds during the 2017 year were as follows:

<u>Transfer in:</u>	<u>Transfer out:</u>			
	<u>General</u>	<u>Water & Sewer</u>	<u>Debt Service</u>	<u>Total</u>
Nonmajor	\$ 117,785	\$ 467,424	\$ -	\$ 585,209
Water & Sewer	-	-	467,424	467,424
	<u>\$ 117,785</u>	<u>\$ 467,424</u>	<u>\$ 467,424</u>	<u>\$ 1,052,633</u>

Amounts transferred between funds relate to amounts collected by the governmental and enterprise funds for various capital expenditures and principal and interest payments.

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 more than 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. 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 which exceeded coverage amounts for the past three years.

The City uses a number of approaches to decrease risks and protect against losses to the City, including internal practices, employee training, and a code of ethics, which all employees are required to acknowledge.

The City owns and operates motor vehicles and may provide such vehicle to employees for business use during the course and scope of their employment. The City is insured as to its own property losses, and the liability of loss to others.

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

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 which 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.

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City had not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage 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 at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does not anticipate that it will have an arbitrage liability and reviews the estimate for this potential liability annually. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

City of Anna, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

D. Defined Benefit Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City of Anna, Texas participates as one of 860 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 the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

2. Benefits Provided

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

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

City of Anna, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

Plan provisions for the City were as follows:

	Plan Year 2016	Plan Year 2017
Employee deposit rate	7%	7%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credits	100% Repeating transfers	100% Repeating transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees covered by benefit terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	28
Active employees	59
Total	93

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees for the City of Anna, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Anna, Texas were 14.24% and 14.49% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$490,248, and were equal to the required contributions.

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% 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 Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2016 valuation. Healthy postretirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2016 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.00%	

Discount Rate

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

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

<u>1% Decrease 5.75%</u>	<u>Current Single Rate Assumption 6.75%</u>	<u>1% Increase 7.75%</u>
\$2,014,242	\$1,016,895	\$221,503

City of Anna, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	\$ 4,841,835	\$ 3,802,318	\$ 1,039,517
Changes for the year:			
Service Cost	608,067	-	608,067
Interest	343,924	-	343,924
Difference between expected and actual experience	(60,518)	-	(60,518)
Changes of assumptions	-	-	-
Contributions - employer	-	442,230	(442,230)
Contributions - employee	-	217,388	(217,388)
Net Investment income	-	257,535	(257,535)
Benefit payments, including refunds of emp. contributions	(101,394)	(101,394)	-
Administration expense	-	(2,902)	2,902
Other changes	-	(156)	156
Net Changes	790,079	812,701	(22,622)
Balance at 12/31/2016	<u>\$ 5,631,914</u>	<u>\$ 4,615,019</u>	<u>\$ 1,016,895</u>

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.

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

For the year ended September 30, 2017, the City recognized pension expense of \$488,714.

At September 30, 2017, 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
Difference between projected and investment earnings	\$ 150,916	\$ -
Difference between expected and actual economic experience	-	219,581
Contributions subsequent to the measurement date	380,196	-
Total	<u><u>\$ 531,112</u></u>	<u><u>\$ 219,581</u></u>

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

The City reported \$380,196 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	
2018	\$ 7,709
2019	7,709
2020	334
2021	(45,288)
2022	(28,986)
Thereafter	(10,145)
	<u>\$ (68,666)</u>

E. Other Postemployment Benefit

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as 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 postemployment benefit," or OPEB.

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

The City's contributions to the TMRS SDBF for the years ended 2017, 2016 and 2015 were \$3,891, \$4,083, and \$3,182, respectively, which equaled the required contributions each year.

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

F. Restatement

The City has restated beginning net position for governmental-type activities and beginning governmental fund balances due to a change in the presentation of component units from a blended presentation to a discrete presentation:

	Governmental-type Activities
Prior year ending net position as reported	\$ 18,069,264
Change in EDC/CDC presentation (blended to discrete)	(398,641)
Restated beginning net position	<u>\$ 17,670,623</u>
	Governmental Funds
Prior year ending fund balances as reported	\$ 5,029,270
Change in EDC/CDC presentation (blended to discrete)	(1,550,067)
Restated beginning fund balances	<u>\$ 3,479,203</u>

G. New Accounting Pronouncements

The City has adopted the following Governmental Accounting Standards Board (GASB) statements, as required:

1. GASB Statement No. 72, *Fair Value Measurement and Application*
2. GASB Statement No. 77, *Tax Abatement Disclosures* (early implementation FY 2016)
3. GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14.*
4. GASB Statement No. 82, *Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73.*

GASB has also issued the following statements, which may have a material effect on the City's financial statements once implemented. The City will be analyzing the effects of these pronouncements and plans to adopt them by their effective date, or as they become applicable to the City:

1. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective starting with fiscal year ending June 30, 2017, if applicable.
2. GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective starting with fiscal year ending December 31, 2016, if applicable.

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

3. GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, effective starting with fiscal year ending June 30, 2018, if applicable.
4. GASB No. 81, *Irrevocable Split-Interest Agreements*, effective starting with the fiscal year ending December 31, 2017, if applicable.

H. Subsequent Events

On November 15, 2017, the City issued \$7,630,000 Combination Tax and Revenue Refunding Bonds, Series 2017. There is a net premium of \$783,045 and \$1,165,720 from reserve funds from the related refunded GTUA bonds, less 51,079 of discounts and \$144,329 of issuance costs for a net total of \$9,382,357 forwarded to Regions Bank escrow accounts. The proceeds will be utilized for refunding all of the GTUA Contract Revenue Bonds Series 2005, 2007A, 2007B, 2007C, and Series 2008. The Series 2017 bonds have interest rates varying from 1.15% to 4%. The City's obligation for Series 2017 under the contract expires with the retirement of the obligation at the maturity date of February 15, 2033.

There were no other material subsequent events through March 27, 2018, the date the financial statements were available to be issued.

I. Anna Community Development Corporation

In accordance with GASB Statement No. 14, the Financial Reporting Entity, as amended by GASB Statement No. 39, the Anna Community Development Corporation is a discretely presented component unit on the combined financial statements. The Community Development Corporation ("CDC") was incorporated on June 30, 2011. The corporation is governed by a seven member board appointed by and serving at the pleasure of the City Council. The funding for CDC occurs by the City transferring 25% of sales tax revenues collected by the City. The purpose of the CDC is for the purpose of promoting projects to enhance the community. The 4B tax proceeds may be spent on land, building, equipment, facilities, expenditures, targeted infrastructure, and improvements throughout the City.

1. Stewardship, Compliance and Accountability

a. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

b. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Violation

The government-wide net position of the CDC is a deficit (\$47,138).

Action taken

The deficit will decrease as the CDC receives future sales tax revenue and reduces long-term debt balances.

2. Financial Statement Amounts

a. Deposits and Investments

Cash and cash equivalents as of September 30, 2017 consist of and are classified in the accompanying financial statements as follows:

Cash and cash equivalents	<u>\$ 472,345</u>
Total fair value	<u><u>\$ 472,345</u></u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Public Funds Investment Act and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a deposit regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2017, CDC had the following investment: None

City of Anna, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

b. Receivables

Receivables as of year-end for the CDC were \$238,664, \$147,354 representing sales tax owed from the State and \$91,310 representing local business loans. No allowances for uncollectible accounts have been recorded at September 30, 2017.

c. Capital Assets

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclasses</u>	<u>Ending Balances</u>
Capital assets, not being depreciated				
Land	\$ -	\$ 2,757,904	\$ -	\$ 2,757,904
Total capital assets not being depreciated	-	2,757,904	-	2,757,904
Total Capital Assets	<u>\$ -</u>	<u>\$ 2,757,904</u>	<u>\$ -</u>	<u>\$ 2,757,904</u>

d. Long-Term Obligations

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Sales Tax revenue Bonds	\$ 1,732,000	\$ 1,850,000	\$ (83,000)	\$ 3,499,000	\$ 204,000

Sales Tax Revenue Bonds

CDC - Sales Tax Revenue Refunding Bonds - Series 2012A	3.25%	396,000	69,000
CDC - Sales Tax Revenue Bonds - Series 2012B	3.30%	1,655,000	1,580,000
CDC - Sales Tax Revenue Bonds - Series 2016	1.9% to 4.5%	1,850,000	1,850,000
Total Sales Tax Revenue Bonds		<u>\$ 3,901,000</u>	<u>3,499,000</u>

e. Litigation

Management is not aware of any pending or threatened litigation involving the CDC.

f. Subsequent Events

The CDC has evaluated all events or transactions that occurred after September 30, 2017 up through March 27, 2018, the date the financial statements were available to be issued. During this period, management was unaware of any subsequent events requiring disclosure.

City of Anna, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

J. Anna Economic Development Corporation

In accordance with GASB Statement No. 14, the Financial Reporting Entity, as amended by GASB Statement No. 39, the Anna Economic Development Corporation is a discretely presented component unit on the combined financial statements. The Economic Development Corporation ("EDC") was incorporated in June 30, 2011. The corporation is governed by a seven member board appointed by and serving at the pleasure of the City Council. Until it ceased in May of 2017, funding for EDC occurred by the City transferring 25% of sales tax revenues collected by the City. The purpose for which the EDC is organized and may issue or incur bonds or other obligations on behalf of the City for the promotion and development of commercial, industrial and manufacturing enterprises, promotion, development and expansion of business enterprises, and to promote and encourage employment and public welfare.

1. Stewardship, Compliance and Accountability

a. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

NONE

2. Financial Statement Amounts

a. Deposits and Investments

Cash and cash equivalents as of September 30, 2017 consist of and are classified in the accompanying financial statements as follows:

Cash and cash equivalents	<u>\$ 327,424</u>
Total fair value	<u><u>\$ 327,424</u></u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Public Funds Investment Act and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits. The

City of Anna, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a deposit regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2017, EDC had the following investment: None

b. Receivables

Receivables as of year-end for the EDC were \$131,517 representing local business loans. No allowances for uncollectible accounts have been recorded at September 30, 2017.

c. Capital Assets

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclasses</u>	<u>Ending Balances</u>
Capital assets, not being depreciated				
Land	\$ 96,914	\$ -	\$ -	\$ 96,914
Construction in progress	-	118,723	-	118,723
Total capital assets not being depreciated	<u>96,914</u>	<u>118,723</u>	<u>-</u>	<u>215,637</u>
Capital assets, being depreciated				
Buildings	366,589	-	-	366,589
Furniture and fixtures	-	13,871	-	13,871
Total capital assets being depreciated	<u>366,589</u>	<u>13,871</u>	<u>-</u>	<u>380,460</u>
Total accumulated depreciation	<u>\$ 74,844</u>	<u>\$ 19,344</u>	<u>\$ -</u>	<u>\$ 94,188</u>
Net capital assets being depreciated	<u>291,745</u>	<u>(5,473)</u>	<u>-</u>	<u>286,272</u>
Total Capital Assets	<u><u>\$ 388,659</u></u>	<u><u>\$ 113,250</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 501,909</u></u>

d. Subsequent Events

The EDC has evaluated all events or transactions that occurred after September 30, 2017 up through March 27, 2018, the date the financial statements were available to be issued. During this period, management was unaware of any subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

City of Anna, Texas

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

For the Year Ended September 30, 2017

	Original Budget	Final Budget	2017 Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property tax	\$ 3,681,042	\$ 3,681,042	\$ 3,731,880	\$ 50,838
Sales tax	750,000	1,121,040	1,203,749	82,709
Franchise and local taxes	450,900	450,900	505,571	54,671
Intergovernmental	195,670	195,670	185,392	(10,278)
Charges for services	94,250	106,900	129,197	22,297
Contributions and donations	254,297	370,097	351,482	(18,615)
License and permits	408,000	828,000	1,115,294	287,294
Fines and forfeitures	100,000	100,000	73,918	(26,082)
Investment income	-	-	18,845	18,845
Other revenue	55,006	55,006	80,806	25,800
Total Revenues	5,989,165	6,908,655	7,396,134	487,479
<u>Expenditures</u>				
Current:				
General government	1,198,480	1,214,005	1,194,254	19,751
Police department	1,795,495	1,813,671	1,721,746	91,925
Municipal court	122,226	122,226	115,543	6,683
Fire department	958,161	1,015,365	970,330	45,035
Ambulance	143,173	143,173	143,173	-
Park	371,141	371,141	375,123	(3,982)
Streets	469,168	679,018	429,128	249,890
Developmental and animal control	633,231	796,948	919,684	(122,736)
Capital outlays:	322,788	518,300	242,923	275,377
Total Expenditures	6,013,863	6,673,847	6,111,905	561,942
Revenues Over (Under)	(24,698)	234,808	1,284,229	1,049,421
<u>Other Financing Sources (Uses)</u>				
Proceeds from sold assets	10,000	10,000	8,601	(1,399)
Transfers in (out)	-	(117,785)	(117,785)	-
Total Other Financing Sources (Uses)	10,000	(107,785)	(109,184)	(1,399)
Net Change in Fund Balance	(14,698)	127,023	1,175,045	\$ 1,048,022
Beginning fund balance	3,319,995	3,319,995	3,319,995	
Ending Fund Balance	\$ 3,305,297	\$ 3,447,018	\$ 4,495,040	

Notes to Required Supplementary Information

- Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP)

City of Anna, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS-TMRS

Year Ended Septemeber 30, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service Cost	\$ 608,067	\$ 527,867	\$ 429,268
Interest	343,924	309,015	277,884
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(60,518)	(110,141)	(173,824)
Change of assumptions	-	19,349	-
Benefit payments, including refunds of participant	(101,394)	(109,637)	(166,160)
Net Change in Total Pension Liability	<u>790,079</u>	<u>636,453</u>	<u>367,168</u>
Total Pension Liability - Beginning	<u>4,841,835</u>	<u>4,205,380</u>	<u>3,838,212</u>
Total Pension Liability - Ending (a)	<u>\$ 5,631,914</u>	<u>\$ 4,841,833</u>	<u>\$ 4,205,380</u>
Plan Fiduciary Net Position			
Contributions - Employer	442,230	386,733	270,279
Contributions - Employee	217,388	194,478	170,293
Net Investment Income	257,535	4,915	165,488
Benefit payments, including refunds of employee con	(101,394)	(109,637)	(166,160)
Administrative Expense	(2,902)	(2,992)	(1,727)
Other	(156)	(148)	(142)
Net Change in Plan Fiduciary Net Position	<u>812,701</u>	<u>473,349</u>	<u>438,031</u>
Plan Fiduciary Net Position - Beginning	<u>3,802,318</u>	<u>3,328,967</u>	<u>2,890,936</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,615,019</u>	<u>\$ 3,802,316</u>	<u>\$ 3,328,967</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 1,016,895</u>	<u>\$ 1,039,517</u>	<u>\$ 876,413</u>
Plan Fiduciary Net Position as a Percentage			
of Total Pension Liability	82%	79%	79%
Covered Employee Payroll	\$ 1,194,348	\$ 2,778,260	\$ 2,432,756
Net Pension Liability as a Percentage			
of Covered Employee Payroll	85%	37%	36%

Notes to Schedule:

1. This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

City of Anna, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN-TMRS

For the Year Ended September 30, 2017

	2017	2016	2015
Actuarially Determined Contribution	\$ 380,196	\$ 444,631	\$ 353,170
Contributions in relation to the actuarially determined contribution	\$ 380,196	\$ 444,631	\$ 353,170
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,194,348	\$ 3,140,567	\$ 2,881,090
Contributions as a percentage of covered employee payroll	31.83%	14.16%	12.26%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% 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

Other Information:

Notes

There were no benefit changes during the year

***COMBINING STATEMENTS AND
INDIVIDUAL FUND SCHEDULES***

City of Anna, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2017

	<u>Capital Projects Fund</u>	<u>Roadway Impact Fee SVC Area 1</u>	<u>Roadway Impact Fee SVC Area 2</u>	<u>Road Capital Dev. Agr. Fund</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 150,146	\$ 385,893	\$ 57,020	\$ 312,755
Receivables, net	-	-	-	-
Due from other funds	467,424	-	-	-
Total Assets	\$ 617,570	\$ 385,893	\$ 57,020	\$ 312,755
<u>Liabilities</u>				
Accounts payable	\$ 19,404	\$ 3,123	-	\$ 39,150
Accrued liabilities	-	-	-	164,069
Due to other funds	605,859	-	-	-
Total Liabilities	625,263	3,123	-	203,219
<u>Fund Balances</u>				
Restricted for:				
Public safety	-	-	-	-
Municipal court	-	-	-	-
Capital projects	-	382,770	57,020	109,536
Unassigned	(7,693)	-	-	-
Total Fund Balances	(7,693)	382,770	57,020	109,536
Total Liabilities and Fund Balances	\$ 617,570	\$ 385,893	\$ 57,020	\$ 312,755

Child Safety Fund	Police Seizure Fund	Police Training Fund	Court Security Fund	Court Technology Fund	PEG Capital Fund
\$ 19,104	\$ 9,778	\$ 1,789	\$ 17,814	\$ 982	\$ 56,095
2,930	-	-	-	-	2,040
-	-	-	-	-	-
<u>\$ 22,034</u>	<u>\$ 9,778</u>	<u>\$ 1,789</u>	<u>\$ 17,814</u>	<u>\$ 982</u>	<u>\$ 58,135</u>
\$ -	\$ -	\$ -	\$ (8)	\$ -	\$ -
-	879	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>879</u>	<u>-</u>	<u>(8)</u>	<u>-</u>	<u>-</u>
22,034	8,899	1,789	-	-	-
-	-	-	17,822	982	-
-	-	-	-	-	58,135
-	-	-	-	-	-
<u>22,034</u>	<u>8,899</u>	<u>1,789</u>	<u>17,822</u>	<u>982</u>	<u>58,135</u>
<u>\$ 22,034</u>	<u>\$ 9,778</u>	<u>\$ 1,789</u>	<u>\$ 17,814</u>	<u>\$ 982</u>	<u>\$ 58,135</u>

City of Anna, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

	Park Construction Fund	Fire Dept. Capital Impr. Fund	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 746,660	\$ 62,868	\$ 1,820,904
Receivables, net	-	-	4,970
Due from other funds	-	-	467,424
Total Assets	\$ 746,660	\$ 62,868	\$ 2,293,298
<u>Liabilities</u>			
Accounts payable	\$ 7,809	\$ -	\$ 69,478
Accrued liabilities	-	-	164,948
Due to other funds	-	-	605,859
Total Liabilities	7,809	-	840,285
<u>Fund Balances</u>			
Restricted for:			
Public safety	-	62,868	95,590
Municipal court	-	-	18,805
Capital projects	738,851	-	1,346,312
Unassigned	-	-	(7,693)
Total Fund Balances	738,851	62,868	1,453,013
Total Liabilities and Fund Balances	\$ 746,660	\$ 62,868	\$ 2,293,298

City of Anna, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2017

	Capital Projects Fund	Roadway Impact Fee SVC Area 1	Roadway Impact Fee SVC Area 2	Road Capital Dev. Agr. Fund
<u>Revenues</u>				
Charges for services	\$ -	\$ 325,391	57,000	\$ -
Investment income	540	1,231	20	1,088
Other revenue	-	-	-	-
Total Revenues	540	326,622	57,020	1,088
<u>Expenditures</u>				
Current:				
Municipal court	-	-	-	-
Other	17,188	34,652	-	-
Park	-	-	-	-
Capital outlay	27,688	91,672	-	-
Total Expenditures	44,876	126,324	-	-
Revenues Over Expenditures	(44,336)	200,298	57,020	1,088
<u>Other Financing Sources (Uses)</u>				
Transfers in	585,209	-	-	-
Proceeds from sold assets	26,372	-	-	-
Total Other Financing (Uses)	611,581	-	-	-
Net Change in Fund Balances	567,244	200,298	57,020	1,088
Beginning fund balances	(574,937)	182,472	-	108,448
Ending Fund Balances	\$ (7,693)	\$ 382,770	57,020	\$ 109,536

Child Safety Fund	Police Seizure Fund	Police Training Fund	Court Security Fund	Court Technology Fund	PEG Capital Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,271
58	47	6	77	5	-
14,066	18,368	1,508	1,366	1,818	-
<u>14,124</u>	<u>18,415</u>	<u>1,514</u>	<u>1,443</u>	<u>1,823</u>	<u>8,271</u>
-	-	-	1,052	1,720	-
-	-	-	-	-	-
-	-	-	-	-	-
-	14,306	-	-	-	-
<u>-</u>	<u>14,306</u>	<u>-</u>	<u>1,052</u>	<u>1,720</u>	<u>-</u>
<u>14,124</u>	<u>4,109</u>	<u>1,514</u>	<u>391</u>	<u>103</u>	<u>8,271</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
14,124	4,109	1,514	391	103	8,271
7,910	4,790	275	17,431	879	49,864
<u>\$ 22,034</u>	<u>\$ 8,899</u>	<u>\$ 1,789</u>	<u>\$ 17,822</u>	<u>\$ 982</u>	<u>\$ 58,135</u>

City of Anna, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended September 30, 2017

	Park Construction Fund	Fire Dept. Capital Impr. Fund	Total
<u>Revenues</u>			
Charges for services	\$ 548,861	\$ 37,900	\$ 977,423
Investment income	2,051	189	5,311
Other revenue	-	-	37,126
Total Revenues	550,912	38,089	1,019,860
<u>Expenditures</u>			
Current:			
Municipal court	-	-	2,772
Other	-	-	51,840
Park	8,900	-	8,900
Capital outlay	137,611	-	271,277
Total Expenditures	146,511	-	334,789
Revenues Over Expenditures	404,402	38,089	685,071
<u>Other Financing Sources (Uses)</u>			
Transfers in	-	-	585,209
Gain (loss) on sale of capital assets	-	-	26,372
Total Other Financing (Uses)	-	-	611,581
Net Change in Fund Balances	404,402	38,089	1,296,652
Beginning fund balances	334,449	24,779	156,360
Ending Fund Balances	\$ 738,851	\$ 62,868	\$ 1,453,012

City of Anna, Texas
BALANCE SHEET
COMMUNITY DEVELOPMENT CORPORATION
September 30, 2017

ASSETS

Cash and cash equivalents	\$	472,345
Receivables (net of allowances for uncollectibles)		238,664
Total Assets		<u>711,010</u>

LIABILITIES

Accounts payable		1,553
Total Liabilities		<u>1,553</u>

Deferred Inflows of Resources

Unavailable revenue:

Local business loans		41,310
Total Deferred Inflows of Resources		<u>41,310</u>

FUND BALANCES

Restricted for:

Community Development		668,146
Total Fund Balances		<u>668,146</u>

Total Liabilities and Fund Balances	\$	<u><u>711,010</u></u>
--	-----------	-----------------------

See Notes to Financial Statements.

City of Anna, Texas
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
COMMUNITY DEVELOPMENT CORPORATION
September 30, 2017

Fund Balances - Total Governmental Funds	\$	668,146
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,757,904
---	--	-----------

Accrued interest reported in the Statement of Net Position does not require the use of current financial resources and, therefore, is not reported in governmental funds.		(15,498)
---	--	----------

Long-term debt for the fiscal year is included in the Statement of Net Position.		(3,499,000)
--	--	-------------

Deferred revenues are removed for the Statement of Net Position.		41,310
--	--	--------

Net Position of Governmental Activities	\$	(47,138)
--	-----------	-----------------

See Notes to Financial Statements.

City of Anna, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE COMMUNITY DEVELOPMENT CORPORATION For the Year Ended September 30, 2017

REVENUES

Sales and use tax	\$ 674,037
Intergovernmental revenue	725,000
Investment income	1,676

Total Revenues 1,400,713

EXPENDITURES

Current:

Community and economic development	141,176
------------------------------------	---------

Debt service:

Principal retirement	83,000
Interest	98,697

Capital Outlay	<u>2,757,904</u>
----------------	------------------

Total Expenditures 3,080,777

Excess (Deficiency) of Revenues

Over (Under) Expenditures (1,680,063)

Other Financing Sources (Uses)

Bond proceeds	1,850,000
Debt issuance costs	<u>(134,487)</u>

Total Other Financing Sources (Uses) 1,715,513

Net Change in Fund Balance 35,450

Beginning fund balance 632,696

Ending Fund Balance \$ 668,146

See Notes to Financial Statements.

City of Anna, Texas
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - COMMUNITY DEVELOPMENT CORPORATION
For the Year Ended September 30, 2017

Net change in Fund Balances - Total Governmental Funds \$ 35,450

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

Current year capital outlays are expenditures in the fund financial statements, but these increase capital assets in the government-wide financial statements. The effect of removing the current year capital outlays is to increase net position. 2,757,904

Bond proceeds are not financing sources in the government-wide financial statements. The net effect of the current year is to decrease net position. (1,850,000)

Current year long-term debt principal payments on tax notes payable are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements. 83,000

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.

Increases in accrued interest: (15,498)

Various other reclassification and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This includes the realization of decreases in deferred revenue from the prior year. (541)

Change in Net Position of Governmental Activities \$ 1,010,315

See Notes to Financial Statements.

City of Anna, Texas
BALANCE SHEET
ECONOMIC DEVELOPMENT CORPORATION
September 30, 2017

ASSETS

Cash and cash equivalents	\$	327,424
Receivables (net of allowance for uncollectibles)		131,517
Total Assets		<u>458,941</u>

LIABILITIES

Accounts payable		102,201
Total Liabilities		<u>102,201</u>

Deferred Inflows of Resources

Unavailable revenue:		
Local business loans		131,017
Total Deferred Inflows of Resources		<u>131,017</u>

FUND BALANCE

Restricted for:		
Economic Development		225,723
Total Fund Balance		<u>225,723</u>

Total Liabilities, Deferred Inflows, and Fund Balance	\$	<u>458,941</u>
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See Notes to Financial Statements.

City of Anna, Texas
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
ECONOMIC DEVELOPMENT CORPORATION
September 30, 2017

Fund Balance- Total Governmental Funds	\$	225,723
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		596,097
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Accumulated depreciation has not been included in the governmental fund financial statements.		(94,188)
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Deferred revenues are not included in the government-wide financial statements.		131,017
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Net Position of Governmental Activities	\$	858,649
--	-----------	----------------

See Notes to Financial Statements.

City of Anna, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ECONOMIC DEVELOPMENT CORPORATION

For the Year Ended September 30, 2017

REVENUES

Sales and use tax	\$	241,060
Charges for services		12,133
Investment income		1,978
Total Revenues		<u>255,171</u>

EXPENDITURES

Current:

Community and economic development	857,006
Capital Outlay	132,594
Total Expenditures	<u>989,599</u>

Excess (Deficiency) of Revenues

Over (Under) Expenditures (734,428)

Other Financing Sources (Uses)

Other revenue	42,780
Total Other Financing Sources (Uses)	<u>42,780</u>

Net Change in Fund Balance (691,648)

Beginning fund balance 917,371

Ending Fund Balance \$ 225,723

See Notes to Financial Statements.

City of Anna, Texas

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES - ECONOMIC DEVELOPMENT CORPORATION
For the Year Ended September 30, 2017**

Net change in Fund Balances - Total Governmental Funds \$ (691,648)

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

Current year capital outlays are expenditures in the fund financial statements, but these are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the current year capital outlays is to increase net position. 132,594

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. Since the current year's depreciation is zero, there is no effect on net position. (19,344)

Various other reclassification and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This includes the realization of decreases in deferred revenue from the prior year. (19,047)

Change in Net Position of Governmental Activities \$ (597,445)

See Notes to Financial Statements.

City of Anna, Texas
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT CORPORATION
For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2017 Actual</u>	<u>Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Sales and use tax	\$ 375,000	\$ 425,000	\$ 674,037	\$ 249,037
Intergovernmental revenue	161,000	725,000	725,000	-
Investment Income	2,500	2,500	1,676	(824)
Total Revenues	<u>538,500</u>	<u>1,152,500</u>	<u>1,400,713</u>	<u>248,213</u>
<u>EXPENDITURES</u>				
Current:				
Community and economic development	157,300	165,050	141,176	23,874
Debt service:				
Principal retirement	133,000	83,000	83,000	-
Interest	165,468	98,700	98,697	3
Capital Outlay	80,232	2,823,136	2,757,904	65,232
Total Expenditures	<u>536,000</u>	<u>3,169,886</u>	<u>3,080,777</u>	<u>89,109</u>
Revenues Over (Under)	<u>2,500</u>	<u>(2,017,386)</u>	<u>(1,680,063)</u>	<u>337,323</u>
<u>Other Financing Sources (Uses)</u>				
Debt Issuance Cost	-	(135,000)	(134,487)	513
Bond Proceeds	-	1,850,000	1,850,000	-
Total Other Financing Sources Uses)	<u>-</u>	<u>1,715,000</u>	<u>1,715,513</u>	<u>513</u>
Net Change in Fund Balance	2,500	(302,386)	35,450	\$ 337,836
Beginning fund balance	632,696	632,696	632,696	
Ending Fund Balance	<u>\$ 635,196</u>	<u>\$ 330,310</u>	<u>\$ 668,146</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP)

City of Anna, Texas
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT CORPORATION
For the Year Ended September 30, 2017

	Original Budget	Final Budget	2017 Actual	Final Budget Positive (Negative)
<u>REVENUES</u>				
Sales and use tax	\$ 375,000	\$ 300,000	\$ 241,060	\$ (58,940)
Investment income	1,500	1,700	1,978	278
Charges for services - rentals	22,500	17,700	12,133	(5,567)
Other Income	-	42,780	42,780	-
Total Revenues	399,000	362,180	297,951	(64,229)
<u>EXPENDITURES</u>				
Current:				
Community and economic development	146,380	187,350	132,006	55,344
Capital Outlay	67,900	187,650	132,594	55,056
Total Expenditures	214,280	375,000	264,599	110,401
Revenues Over (Under)	184,720	(12,820)	33,352	46,172
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	161,000	(725,000)	(725,000)	-
Total Other Financing Sources (Uses)	161,000	(725,000)	(725,000)	-
Net Change in Fund Balance	345,720	(737,820)	(691,648)	\$ 46,172
Beginning Balance	917,371	917,371	917,371	
Ending Fund Balance	\$ 1,263,091	\$ 179,551	\$ 225,723	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP)

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STATISTICAL SECTION

STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

Contents

Tables

Financial Trends

1, 2, 3 & 4

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

5, 6, 7 & 8

These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.

Debt Capacity

9, 10, 11 & 12

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

13 & 14

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

15, 16 & 17

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Anna, Texas

TABLE 1

NET POSITION BY COMPONENT

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets	\$ 20,398,968	\$ 13,466,866	\$ 13,288,789	\$ 12,463,939	\$ 11,698,639	\$ 10,749,210	\$ 11,048,398	\$ 10,763,659	\$ 10,579,536	\$ 10,198,800
Restricted	1,489,057	1,550,067	1,781,301	1,265,399	983,464	444,340	156,274	206,256	158,803	604,448
Unrestricted	3,844,285	3,052,331	2,073,139	2,272,911	2,427,826	2,338,621	2,636,598	2,611,930	2,825,502	1,796,309
Total governmental activities net position	<u>\$ 25,732,310</u>	<u>\$ 18,069,264</u>	<u>\$ 17,143,229</u>	<u>\$ 16,002,249</u>	<u>\$ 15,109,929</u>	<u>\$ 13,532,171</u>	<u>\$ 13,841,270</u>	<u>\$ 13,581,845</u>	<u>\$ 13,563,841</u>	<u>\$ 12,599,557</u>
Business-type activities										
Net investment in capital assets	\$ 17,356,378	\$ 12,787,858	\$ 9,150,846	\$ 7,161,432	\$ 9,228,796	\$ 11,584,537	\$ 11,657,252	\$ 10,990,672	\$ 9,915,584	\$ 12,322,711
Restricted	6,407,402	7,349,941	10,029,856	11,632,410	8,358,837	3,809,923	3,260,968	3,125,129	3,697,045	-
Unrestricted	2,930,232	762,189	595,738	642,688	1,470,698	1,233,119	1,352,162	485,641	1,091,949	2,194,182
Total business-type activities net position	<u>\$ 26,694,012</u>	<u>\$ 20,899,988</u>	<u>\$ 19,776,440</u>	<u>\$ 19,436,530</u>	<u>\$ 19,058,331</u>	<u>\$ 16,627,579</u>	<u>\$ 16,270,382</u>	<u>\$ 14,601,442</u>	<u>\$ 14,704,578</u>	<u>\$ 14,516,893</u>
Primary government										
Net investment in capital assets	\$ 37,755,346	\$ 26,254,724	\$ 22,439,635	\$ 19,625,371	\$ 20,927,435	\$ 22,333,747	\$ 22,705,650	\$ 21,754,331	\$ 20,495,120	\$ 22,521,511
Restricted	7,896,459	8,900,008	11,811,157	12,897,809	9,342,301	4,254,263	3,417,242	3,331,385	3,855,848	604,448
Unrestricted	6,774,517	3,814,520	2,668,877	2,915,599	3,898,524	3,571,740	3,988,760	3,097,571	3,917,451	3,990,491
Total primary government net position	<u>\$ 52,426,322</u>	<u>\$ 38,969,252</u>	<u>\$ 36,919,669</u>	<u>\$ 35,438,779</u>	<u>\$ 34,168,260</u>	<u>\$ 30,159,750</u>	<u>\$ 30,111,652</u>	<u>\$ 28,183,287</u>	<u>\$ 28,268,419</u>	<u>\$ 27,116,450</u>

Source: Comprehensive Annual Financial Report

City of Anna, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

TABLE 2

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities:										
General government	\$ 1,405,085	\$ 1,393,256	\$ 1,058,719	\$ 963,243	\$ 885,833	\$ 1,047,147	\$ 979,107	\$ 1,091,501	\$ 853,302	\$ 813,959
Culture and recreation	665,430	584,676	573,249	432,133	303,607	290,907	264,779	200,431	115,564	34,362
Community services	904,227	690,842	558,541	619,465	560,983	530,649	412,775	274,589	435,659	376,867
Public safety	3,062,333	2,727,997	2,511,931	2,272,660	2,278,515	1,841,980	1,802,720	1,563,583	1,345,561	1,125,141
Public works	1,502,775	1,261,514	1,053,123	954,932	940,941	888,763	853,980	880,894	823,856	746,413
Economic and community development	-	146,929	355,165	400,496	196,384	-	-	-	-	-
Interest on long-term debt	132,433	174,446	316,079	258,663	270,057	196,169	208,551	220,033	282,865	203,930
Total governmental activities expenses	7,672,283	6,979,660	6,426,807	5,901,592	5,436,320	4,795,615	4,521,912	4,231,031	3,856,807	3,300,672
Business-type activities:										
Water and sewer	7,443,593	7,371,352	6,487,099	5,453,831	5,307,272	4,928,084	4,400,065	4,261,246	3,461,306	3,344,537
Total business-type activities expenses	7,443,593	7,371,352	6,487,099	5,453,831	5,307,272	4,928,084	4,400,065	4,261,246	3,461,306	3,344,537
Total primary government expenses	\$ 15,115,876	\$ 14,351,012	\$ 12,913,906	\$ 11,355,423	\$ 10,743,592	\$ 9,723,699	\$ 8,921,977	\$ 8,492,277	\$ 7,318,113	\$ 6,645,209
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 136,465	\$ 48,181	\$ 30,000	\$ 30,000	\$ 20,839	\$ 97,951	\$ 99,065	\$ 130,824	\$ 82,604	\$ 35,095
Culture and recreation	553,511	117,990	63,265	71,905	63,421	10,295	9,798	5,014	1,680	92,570
Public safety	49,950	768,988	218,973	183,533	194,379	69,200	84,134	4,542	3,340	17,129
Public works	382,390	129,914	-	-	-	-	-	-	-	491
Community services	1,173,516	236,694	748,212	772,501	839,349	743,906	278,051	126,728	182,559	201,053
Economic and community development	-	-	-	-	30,000	-	-	-	-	-
Operating grants and contributions	351,482	333,948	15,053	11,525	10,531	76,729	52,548	182,847	-	-
Capital grants and contributions	6,489,958	-	1,417,514	783,182	2,665,841	382,003	648,296	889,152	1,342,638	439,869
Total governmental activities program revenues	9,137,272	1,635,715	2,493,017	1,852,646	3,824,360	1,380,084	1,171,892	1,339,107	1,612,821	786,207
Business-type activities:										
Charges for services:										
Water and sewer	9,805,662	7,523,193	6,194,327	5,980,176	5,573,401	4,880,931	4,329,000	3,653,989	3,505,376	2,949,574
Operating grants and contributions	-	-	-	-	-	-	-	-	-	291,620
Capital grants and contributions	3,298,737	776,416	755,508	486,155	484,704	-	1,233,559	-	109,028	250,000
Total business-type activities program revenues	13,104,399	8,299,609	6,949,835	6,466,331	6,058,105	4,880,931	5,562,559	3,653,989	3,614,404	3,491,194
Total primary government program revenues	\$ 22,241,671	\$ 9,935,324	\$ 9,442,852	\$ 8,318,977	\$ 9,882,465	\$ 6,261,015	\$ 6,734,451	\$ 4,993,096	\$ 5,227,225	\$ 4,277,401

City of Anna, Texas

TABLE 2

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net (Expenses) Revenue										
Governmental activities	\$ 1,464,989	\$ (5,343,945)	\$ (3,933,790)	\$ (4,048,946)	\$ (1,611,960)	\$ (3,415,531)	\$ (3,350,020)	\$ (2,891,924)	\$ (2,243,986)	\$ (2,514,465)
Business-type activities	5,660,806	928,257	462,736	1,012,500	750,833	(47,153)	1,162,494	(607,257)	153,098	146,657
Total primary government net expense	\$ 7,125,795	\$ (4,415,688)	\$ (3,471,054)	\$ (3,036,446)	\$ (861,127)	\$ (3,462,684)	\$ (2,187,526)	\$ (3,499,181)	\$ (2,090,888)	\$ (2,367,808)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 4,619,461	\$ 3,973,028	\$ 3,322,054	\$ 2,807,140	\$ 2,483,857	\$ 2,392,504	\$ 2,418,445	\$ 2,407,914	\$ 2,247,895	\$ 2,076,426
Sales taxes	1,203,749	1,542,309	1,473,097	1,350,896	1,149,297	522,840	537,544	438,071	384,964	348,632
Franchise taxes	505,571	447,498	450,799	416,175	353,482	363,970	333,936	358,732	314,720	227,415
Investment earnings	26,199	31,816	23,685	22,295	39,256	25,939	26,484	15,981	19,409	98,499
Gain on sale of capital assets	-	-	39,160	11,960	-	3,339	-	-	4,326	-
Miscellaneous	241,719	166,773	316,688	140,596	39,399	162,422	135,518	56,029	66,239	-
Transfers	-	108,556	(649)	279,707	(1,489,156)	(364,582)	(59,138)	(366,799)	100,612	-
Total governmental activities	6,596,699	6,269,980	5,624,834	5,028,769	2,576,135	3,106,432	3,392,789	2,909,928	3,138,165	2,750,972
Business-type activities:										
Investment earnings	63,607	69,608	77,064	73,451	34,636	34,450	51,375	48,480	83,302	81,870
Gain on sale of capital assets	-	-	-	-	-	5,318	-	-	-	-
Miscellaneous	69,610	29,193	-	-	156,127	-	185,569	88,842	41,901	-
Transfers	-	(108,556)	649	(279,707)	1,489,156	364,582	59,138	366,799	(90,616)	-
Total business-type activities	133,218	(9,755)	77,713	(206,256)	1,679,919	404,350	296,082	504,121	34,587	81,870
Total primary government	\$ 6,729,916	\$ 6,260,225	\$ 5,702,547	\$ 4,822,513	\$ 4,256,054	\$ 3,510,782	\$ 3,688,871	\$ 3,414,049	\$ 3,172,752	\$ 2,832,842
Change in Net Position										
Governmental activities	\$ 8,061,687	\$ 926,035	\$ 1,691,044	\$ 979,823	\$ 964,175	\$ (309,099)	\$ 42,769	\$ 18,004	\$ 894,179	\$ 236,507
Business-type activities	5,794,024	918,502	540,449	806,244	2,430,752	357,197	1,458,576	(103,136)	187,685	228,527
Total primary government	\$ 13,855,711	\$ 1,844,537	\$ 2,231,493	\$ 1,786,067	\$ 3,394,927	\$ 48,098	\$ 1,501,345	\$ (85,132)	\$ 1,081,864	\$ 465,034

Source: Comprehensive Annual Financial Report

City of Anna, Texas

TABLE 3

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Restricted	\$ 12,768	\$ 19,580	\$ 523,192	\$ 394,002	\$ 232,160	\$ 356,686	\$ 156,274	\$ 206,256	\$ 105,464	-
Committed	740,768	185,788	157,476	161,510	558,127	110,894	-	-	-	-
Assigned	-	-	-	144,175	-	-	52,383	-	-	88,840
Unassigned	3,741,504	3,114,627	2,617,940	2,351,029	1,830,457	2,178,670	2,097,832	2,016,980	1,859,827	1,706,011
Total general fund	<u>\$ 4,495,040</u>	<u>\$ 3,319,995</u>	<u>\$ 3,298,608</u>	<u>\$ 3,050,716</u>	<u>\$ 2,620,744</u>	<u>\$ 2,646,250</u>	<u>\$ 2,306,489</u>	<u>\$ 2,223,236</u>	<u>\$ 1,965,291</u>	<u>\$ 1,794,851</u>
All Other Governmental Funds										
Assigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,340	\$ 515,608
Unassigned	(7,694)	(574,937)	(203,139)	(371,273)	(87,717)	-	-	241,216	824,211	-
Nonspendable	-	-	-	35,642	88,353	-	-	-	-	-
Restricted	1,476,290	2,284,212	1,100,633	871,397	662,951	87,654	315,321	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 1,468,596</u>	<u>\$ 1,709,275</u>	<u>\$ 897,494</u>	<u>\$ 535,766</u>	<u>\$ 663,587</u>	<u>\$ 87,654</u>	<u>\$ 315,321</u>	<u>\$ 241,216</u>	<u>\$ 877,551</u>	<u>\$ 515,608</u>

Notes: The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

Source: Comprehensive Annual Financial Report

City of Anna, Texas

TABLE 4

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years (Unaudited)

(modified accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Taxes	\$ 6,338,940	\$ 5,965,724	\$ 5,241,413	\$ 4,571,535	\$ 3,999,758	\$ 3,282,978	\$ 3,276,278	\$ 3,194,899	\$ 2,964,443	\$ 2,614,335
Licenses, permits, and fees	1,115,294	711,462	748,212	772,501	839,349	743,906	278,051	126,728	182,559	201,053
Charges for services	1,106,620	-	158,491	166,242	139,646	82,834	93,932	9,556	19,770	109,699
Fines and forfeitures	73,918	84,360	115,027	100,055	133,018	98,446	87,877	122,947	74,727	35,095
Intergovernmental	185,392	287,614	114,200	106,600	1,463,430	126,900	91,400	51,650	629,000	60,000
Investment earnings	26,199	31,816	23,685	22,295	39,256	25,939	26,484	15,981	19,409	98,499
Other revenues	117,932	1,164,183	126,393	122,579	74,738	35,522	44,119	56,029	52,990	9,771
Contributions	351,482	-	135,949	29,085	674,398	458,732	290,908	747,733	278,304	370,589
Total Revenues	9,315,777	8,245,159	6,663,370	5,890,892	7,363,593	4,855,257	4,189,049	4,325,523	4,221,202	3,499,041
Expenditures										
Current:										
General government	1,339,668	1,507,324	1,181,679	1,048,004	967,299	985,070	957,021	950,697	831,308	791,683
Culture and recreation	332,249	268,538	246,808	196,502	120,030	116,883	101,444	61,852	33,120	21,472
Community development	902,552	689,308	896,419	1,001,631	737,119	529,080	411,206	271,639	432,709	365,015
Public safety	2,842,470	2,509,795	2,182,617	1,951,681	1,964,502	1,669,196	1,612,809	1,451,188	1,236,453	1,086,983
Public works	463,780	539,049	200,188	170,830	201,294	163,518	155,894	203,484	148,781	129,305
Debt Service:										
Principal retirement	328,000	779,842	466,776	415,662	430,877	327,914	323,737	298,576	248,889	222,126
Interest and fiscal changes	97,376	182,942	200,331	259,080	271,485	204,552	200,071	232,044	271,559	201,311
Bond issuance costs	-	-	38,350	-	-	-	-	-	-	-
Capital outlay	565,974	1,094,445	755,535	837,018	2,917,945	382,368	610,853	938,213	1,653,430	2,016,272
Total Expenditures	6,872,069	7,571,243	6,168,703	5,880,408	7,610,551	4,378,581	4,373,035	4,407,693	4,856,249	4,834,167
Excess of Revenues Over (Under) Expenditures	2,443,708	673,916	494,667	10,484	(246,958)	476,676	(183,986)	(82,170)	(635,047)	(1,335,126)
Other financing sources (uses)										
Transfers in	585,209	298,419	335,134	316,507	1,755,532	213,753	107,636	186,338	100,612	-
Transfers (out)	(585,209)	(189,863)	(335,783)	(36,800)	(3,244,688)	(578,335)	(166,774)	(553,138)	-	-
Sale of capital assets	34,974	17,054	65,000	11,960	-	-	-	4,326	-	-
Debt issuance	(23,350)	-	1,462,000	-	-	-	360,000	-	992,988	-
Premium on debt issuance	850,000	-	-	-	-	-	-	-	-	-
Lease issuance	-	-	-	-	-	-	-	70,578	-	40,400
Payments to escrow agent	(820,899)	-	(1,411,398)	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	40,725	125,610	114,953	291,667	(1,489,156)	(364,582)	300,862	(296,222)	1,097,926	40,400
Net Change in Fund Balances	\$ 2,484,433	\$ 799,526	\$ 609,620	\$ 302,151	\$ (1,736,114)	\$ 112,094	\$ 116,876	\$ (378,392)	\$ 462,879	\$ (1,294,726)
Debt service as percentage of noncapital expenditures	6.7%	14.9%	12.3%	13.4%	15.0%	13.3%	13.9%	15.3%	16.2%	15.0%

Source: Comprehensive Annual Financial Report

City of Anna, Texas

TABLE 5

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years (Unaudited)

Fiscal year	Estimated Market Value		Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2008	\$ 416,660,177	\$ 9,887,344	\$ 70,309,450	\$ 356,238,071	0.57500
2009	461,662,187	11,461,340	86,568,085	386,555,442	0.57500
2010	452,408,378	14,428,711	82,726,997	384,110,092	0.62273
2011	426,150,871	14,570,908	75,476,975	365,244,804	0.65033
2012	446,019,189	14,755,531	95,551,181	365,223,539	0.65033
2013	457,390,078	16,753,543	97,610,313	376,533,308	0.65033
2014	514,337,648	21,674,172	105,177,246	430,834,574	0.65033
2015	649,209,461	22,743,852	161,376,609	510,576,704	0.64900
2016	817,578,552	27,290,010	236,173,968	608,694,594	0.63900
2017	\$ 941,525,839	\$ 32,134,958	\$ 247,017,901	\$ 726,642,896	0.60129

Source: Collin County Appraisal District.

City of Anna, Texas

TABLE 6

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years (Unaudited)

Fiscal Year	City Direct Rates			Overlapping Rates			
	Operating	Debt Service	Total Direct Rate	Anna Independent School District	Collin County	Collin County Community College District	Total Rate
2008	0.46680	0.10820	0.575000	1.481483	0.245000	0.086984	1.81347
2009	0.47946	0.09554	0.575000	1.540050	0.242500	0.086493	1.86904
2010	0.52994	0.09279	0.622733	1.540050	0.242500	0.086300	1.86885
2011	0.55423	0.09611	0.650332	1.540000	0.240000	0.086300	1.86630
2012	0.55938	0.09096	0.650332	1.540000	0.240000	0.086300	1.86630
2013	0.55937	0.09097	0.650332	1.540000	0.240000	0.086299	1.86630
2014	0.55937	0.09097	0.650332	1.540000	0.237500	0.083643	1.86114
2015	0.54583	0.10317	0.649000	1.540000	0.235000	0.081960	1.85696
2016	0.53234	0.10666	0.639000	1.670000	0.225000	0.081960	1.97696
2017	0.47887	0.12242	0.601288	1.670000	0.208395	0.081222	1.95962

Source: Collin County Central Appraisal District

Note: The entire City was located in Collin County and within the Anna Independent School District.

City of Anna, Texas

PRINCIPAL PROPERTY TAXPAYERS

Current and Nine Years Ago (Unaudited)

TABLE 7

Taxpayer	2017		Taxpayer	2008	
	Taxable Assessed Valuation	Percentage of Total City Assessed Valuation ^a		Taxable Assessed Valuation	Percentage of Total City Assessed Valuation ^b
Wal-Mart Real Estate Business Trust	\$ 14,328,427	1.60%	Anna West/2004 LTD	\$ 6,703,749	2.32%
Bloomfield Homes LP	9,422,777	1.05%	Sahi-Antoinne LLC	4,217,084	1.46%
Lennar Homes of Texas Land and Construction LTD	9,208,576	1.03%	Pecan Grove Lot Vendure IV	3,540,102	1.23%
Burnco Texas LLC	5,925,758	0.66%	Wal-Mart, Inc.	2,978,500	1.03%
Anna Eagle Retail LP	4,860,047	0.54%	PMR/WHM Ltd.	2,700,292	0.94%
PTCAA Texas LP	4,484,401	0.50%	Kimball Hill Homes Dallas LP	2,630,160	0.91%
Brookshire Grocery Company	4,042,038	0.45%	RH of Texas LP	2,392,965	0.83%
ECC CV Anna TX LLC	3,839,191	0.43%	Southern Arcaidia Inc.	2,154,769	0.75%
Hwy 75/Anna Property LP	3,131,871	0.35%	Love's Country Stores Inc.	2,034,152	0.70%
Windmill Self Storage LP	2,827,984	0.32%	Love's Country Stores Inc.	1,627,238	0.56%
Total	\$ 62,071,070	6.93%		\$ 30,979,011	10.73%

Source: Collin County Tax Collector

Notes: ^aTaxpayers are assessed on January 1, 2016 (2016 tax year) for the 2017 fiscal year.

^bTaxpayers are assessed on January 1, 2007 (2007 tax year) for the 2008 fiscal year.

City of Anna, Texas

TABLE 8

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years (Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Tax Levy		Amount	Percentage of Tax Levy
2008	\$ 2,015,950	\$ 1,975,091	98.0%	\$ 32,997	\$ 2,008,088	99.6%
2009	2,207,626	2,180,429	98.8%	25,963	2,206,392	99.9%
2010	2,354,888	2,310,499	98.1%	42,669	2,353,168	99.9%
2011	2,377,486	2,330,562	98.0%	44,487	2,375,049	99.9%
2012	2,363,528	2,314,801	97.9%	46,689	2,361,490	99.9%
2013	2,453,443	2,420,674	98.7%	27,315	2,447,989	99.8%
2014	2,808,208	2,771,670	98.7%	30,150	2,801,820	99.8%
2015	3,322,835	3,290,905	99.0%	27,716	3,318,621	99.9%
2016	3,913,275	3,881,905	99.2%	23,645	3,905,550	99.8%
2017	\$ 4,562,147	\$ 4,541,224	99.5%	\$ -	\$ 4,541,224	99.5%

Source: Collin County Tax Assessor

City of Anna, Texas

TABLE 9

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years (Unaudited)

Fiscal Year	Governmental Activities			Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Other Obligation	Waterworks & Sewer System Revenue Bonds	Combination Tax & Revenue Bonds & Certificates	Contract Revenue Bonds	General Obligation Bonds	Other Obligation			
2008	\$ 350,000	\$ 3,735,000	\$ 208,307	\$ 28,000	\$ -	\$ 20,262,500	\$ 37,000	\$ -	\$ 24,620,807	N/A	3,403
2009	330,000	4,465,000	265,785	24,000	4,165,000	16,033,750	33,000	79,532	25,316,535	N/A	3,235
2010	310,000	4,280,000	228,916	19,500	4,140,000	15,746,250	29,000	63,372	24,753,666	N/A	3,056
2011	290,000	4,435,000	979,759	15,000	4,115,000	15,428,750	24,500	46,382	25,288,009	12.98%	3,047
2012	270,000	4,215,000	2,686,726	10,000	4,090,000	15,086,250	20,000	28,526	26,377,976	13.36%	3,074
2013	250,000	3,985,000	2,513,847	5,000	8,275,000	14,698,750	15,000	9,747	29,742,597	13.30%	3,178
2014	230,000	3,755,000	2,354,618	-	12,430,000	14,201,250	10,000	-	32,980,868	12.58%	3,187
2015	1,615,000	2,525,000	2,204,882	-	12,561,000	13,675,000	5,000	-	32,585,882	11.90%	2,968
2016	1,563,000	2,270,000	1,732,000	-	12,359,000	13,140,000	-	-	31,064,000	10.99%	2,744
2017	\$ 2,145,000	\$ 1,045,000	\$ -	\$ -	\$ 12,144,000	\$ 12,503,750	\$ -	\$ 1,340,010	\$ 29,177,760	8.61%	2,355

Notes: Details regarding the City's outstanding debt can be found in the notes to financial statements.

City of Anna, Texas

TABLE 10

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years (Unaudited)

Fiscal Year	General Obligation Bonds	Certificates of Obligation	Total	Percentage of Actual Taxable Value ¹ of Property	Per Capita ²
2008	\$ 350,000	3,735,000	\$ 4,085,000	0.0012%	565
2009	330,000	4,465,000	4,795,000	0.0013%	613
2010	310,000	4,280,000	4,590,000	0.0012%	567
2011	290,000	4,435,000	4,725,000	0.0014%	569
2012	270,000	4,215,000	4,485,000	0.0013%	523
2013	250,000	3,985,000	4,235,000	0.0012%	452
2014	230,000	3,755,000	3,985,000	0.0010%	385
2015	1,615,000	2,525,000	4,140,000	0.0009%	377
2016	1,563,000	2,270,000	3,833,000	0.0008%	339
2017	\$ 2,145,000	1,045,000	\$ 3,190,000	0.4390%	257

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹See the Schedule of Assessed and Estimated Actual Value of Taxable Property for property value data.

²Population data can be found in the Schedule of Demographic and Economic Statistics.

City of Anna, Texas

TABLE 11

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of September 30, 2017 (Unaudited)

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Governmental Unit			
Debt repaid with property taxes:			
Collin County	\$ 352,380,000	0.65%	\$ 2,290,470
Collin College	14,590,000	0.65%	94,835
Anna ISD	119,240,024	77.42%	92,315,627
Subtotal, overlapping debt			<u>94,700,932</u>
City of Anna	3,190,000	100%	<u>3,190,000</u>
Total direct and overlapping debt			<u><u>\$ 97,890,932</u></u>

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping by the residents and businesses of Statistical. This process recognizes that, when considering the city's ability governments that is borne to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident--and therefore responsible for repaying the debt--of each overlapping government.

¹ For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

Source: Net bonded debt and percentage of debt provided by Municipal Advisory of Texas

City of Anna, Texas

TABLE 12

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years (Unaudited)

Fiscal Year	Water Revenue Bonds						Times Coverage
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Debt Service			
				Principal	Interest		
2008	\$ 3,573,064	\$ 2,074,362	\$ 1,498,702	\$ 341,750	\$ 166,916	2.95	
2009	3,739,607	2,253,408	1,486,199	525,500	576,725	1.35	
2010	3,791,310	2,498,178	1,293,132	336,000	787,293	1.15	
2011	4,565,944	2,547,615	2,018,329	365,526	782,174	1.76	
2012	4,920,699	2,899,257	2,021,442	416,826	906,240	1.53	
2013	5,764,164	3,161,627	2,602,537	446,279	955,154	1.86	
2014	6,053,627	3,151,655	2,901,972	542,247	1,054,947	1.82	
2015	6,271,391	3,987,255	2,284,136	663,250	1,125,983	1.28	
2016	8,371,878	5,137,343	3,234,535	742,000	1,056,647	1.80	
2017	\$ 9,938,880	\$ 6,490,261	\$ 3,448,619	\$ 772,500	\$ 1,028,814	1.91	

Note: ^aIncludes both operating and non-operating revenues.

^bIncludes operating expenses minus depreciation.

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

City of Anna, Texas
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years (Unaudited)

TABLE 13

Fiscal Year	Population¹	Personal Income	Per Capita⁴ Personal Income	School Enrollment³	Unemployment Rate²
2008	7,236	N/A	N/A	N/A	4.7%
2009	7,827	N/A	N/A	N/A	7.9%
2010	8,100	N/A	N/A	N/A	7.0%
2011	8,300	\$ 194,842,500	\$ 23,475	2,339	6.9%
2012	8,580	197,374,320	23,004	2,519	5.6%
2013	9,360	223,657,200	23,895	2,579	5.4%
2014	10,350	262,082,700	25,322	2,855	4.4%
2015	10,980	273,808,260	24,937	3,051	3.6%
2016	11,320	282,705,680	24,974	3,214	3.8%
2017	12,390	\$ 338,916,060	\$ 27,354	3,438	3.8%

Sources: ¹North Central Texas Council of Governements (NCTCOG)
²State Department of Labor and homefacts.com
³Anna Independent School District
⁴U. S. Census Bureau American Fact Finder & North Central Texas Council of Governements (NCTCOG)

Note: The requirement is for 10 years worth of data. The City will present a full 10 year schedule as the information becomes available. Areas where information could not be obtained are listed as N/A.

City of Anna, Texas

TABLE 14

PRINCIPAL EMPLOYERS

Current and Nine Years Ago (Unaudited)

Employer	2017			2008	
	No. Employees	Percent of Total City Employment		No. Employees ¹	Percent of Total City Employment
Anna ISD	333	18.55%	Anna ISD	N/A	N/A
Pate Rehab	162	9.03%	Pate Rehab	N/A	N/A
Brookshire's	118	6.57%	Bronco	N/A	N/A
Bronco	68	3.79%	City of Anna	N/A	N/A
City of Anna	56	3.12%	Wells McCoy	N/A	N/A
Hurricane Creek County Club	45	2.51%	Pilot Truck Stop	N/A	N/A
Loves Travel Stop	45	2.51%	Loves Travel Stop	N/A	N/A
McDonalds	40	2.23%	Sonic	N/A	N/A
Tri-County Vet	31	1.73%	Independent Bank	N/A	N/A
Wells McCoy	26	1.45%	Texas Star Bank	N/A	N/A
Total	924			0	

Source: ¹Top ten employers and employee count provided by Anna Economic Deveopment Corporation.

Note: Data not available for 2007 at the time of this publication. The City will present this information for future years' as the information becomes available.

City of Anna, Texas

TABLE 15

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years (Unaudited)

Function / Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government and Administration	12.5	13.5	13.5	12.5	12.5	13.5	12.5	12.5	12.5	12.5
Public Safety	24.0	22.0	21.0	18.0	18.0	16.0	16.0	16.0	14.0	13.5
Public Works	7.0	7.0	4.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Culture and Recreation	4.0	4.0	2.0	3.0	1.0	2.0	2.0	2.0	1.0	-
Water and Sewer	11.0	8.0	10.0	12.0	10.0	10.0	9.0	9.0	9.0	9.0
Community Development	4.0	3.0	3.0	3.0	2.0	2.0	3.0	3.0	2.5	2.5
Economic Development	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total all City funds	63.0	58.0	54.0	50.0	45.0	45.0	44.0	44.0	40.5	39.0

Source: Finance and Human Resources Department

City of Anna, Texas

TABLE 16

OPERATING INDICATORS BY FUNCTIONS/PROGRAM

Last Ten Fiscal Years (Unaudited)

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government										
Building permits issued-residential	440	273	216	290	305	351	100	26	30	91
Building permits issued-commerical	11	4	1	5	-	13	15	10	7	1
Building inspections conducted	16046	9474	7493	12584	10566	8604	3310	1183	1086	2645
Public Safety										
Police:										
Physical arrests	337	311	309	208	197	187	164	119	165	102
Accidents	265	261	231	182	155	139	129	121	137	
Traffic violations	2404	3,962	4,235	3,491	2,539	3,694	2,342	2,069	1,942	1,044
Fire:										
Emergency responses	1502	1,234	1,256	1,065	1,070	1,021	1,066	855	790	749
Fires extinguished	19	79	62	43	41	99	33	59	68	72
Inspections	132	115	107	79	77	55	34	37	21	20
Highways and streets										
Street resurfacing (miles)	0.4	1	-	-	-	-	-	-	-	-
Potholes repaired	940	3,900	1,600	-	-	-	-	-	-	-
Recreation										
Reservations issued	92	53	59	17	-	-	-	-	-	-
Waster and Sewer										
Number of Active Accounts	5102	4935	4,596	4,423	4,166	3,720	3,104	N/A	N/A	N/A
Average daily consumption (gallons) wells	1,018,025	1,007,258	1,115,682	1,061,013	772,487	1,200,000	1,093,365	N/A	N/A	N/A
Average daily consumption (gallons) NTMWD	679,857	355,970								

Source: City departments

Note: Some data not available for 10 years at the time of this publication. The City will present this information for future years' as the information becomes available.

City of Anna, Texas

TABLE 17

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years (Unaudited)

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	11	9	9	7	7	6	6	6	5	5
Number of fire stations	1	1	1	1	1	1	1	1	1	1
Streets and Grounds										
Streets (miles)	65	50	-	-	-	-	-	-	-	-
Streetlights	625	570	-	-	-	-	-	-	-	-
Traffic signals	3	1	-	-	-	-	-	-	-	-
Recreation										
Acreage	197.06	197.06	179.67	177.09	177.09	177.09	177.09	177.09	0	0
Playgrounds	2	2	2	2	2	2	2	2	-	-
Baseball/softball diamonds	6	7	7	7	7	5	5	5	-	-
Water and Sewer										
Water mains	65	55	-	-	-	-	-	-	-	-
Fire hydrants	650	607	-	-	-	-	-	-	-	-
Sanitary Sewer (miles)	60	50	-	-	-	-	-	-	-	-
Storage capacity (millions of gallons)	4	3	-	-	-	-	-	-	-	-
Wastewater										
Treatment capacity	9.1	9.1	-	-	-	-	-	-	-	-
Sanitary sewer (miles)	60	50	-	-	-	-	-	-	-	-
Storm sewers (miles)	55	50	-	-	-	-	-	-	-	-

Source: City Departments

Note: Some data not available for 10 years at the time of this publication. The City will present this information for future years' as the information becomes available.