

CITY OF PAMPA, TEXAS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016**

Prepared by
Department of Finance

**CITY OF PAMPA, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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INTRODUCTORY SECTION

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City of Pampa
P. O. Box 2499
Pampa, Texas 79066-2499
www.cityofpampa.org

March 13, 2017

To the Honorable Mayor, City Commission,
and Citizens of the City of Pampa, Texas:

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 generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Pampa, Texas (the “City of Pampa”) for the fiscal year ended September 30, 2016.

This report consists of management’s representations concerning the finances of the City of Pampa. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Pampa has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Pampa’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Pampa’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. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Pampa’s financial statements have been audited by Brown, Graham & Company, P.C., 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 of Pampa for the fiscal year ended September 30, 2016, 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 concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Pampa’s financial statements for the fiscal year ended September 30, 2016, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Pampa's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Pampa's charter was approved by the voters in 1927. Located in the Panhandle of Texas in Gray County, the City of Pampa currently occupies a land area of 9 square miles and serves a population of approximately 17,700. The City of Pampa 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 council.

The City of Pampa operates under the commission-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and four commissioners. The governing body is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring both the government's manager and attorney. The government's manager is responsible for carrying out the policies and ordinances of the governing body, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Commission members serve four-year staggered terms, with two commissioners elected every four years. The mayor is also elected to serve a four-year term. The mayor and the commission members are elected at large.

The City of Pampa provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; and recreational activities and cultural events.

The annual budget serves as the foundation for the City of Pampa's financial planning and control. All departments of the City of Pampa are required to submit requests for appropriation to the government's manager. The government's manager uses these requests as the starting point for developing a proposed budget. The government's manager then presents this proposed budget to the commission for review. The commission is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of the City of Pampa's fiscal year. The appropriated budget is prepared by fund and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between funds, however, require the special approval of the governing council. 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 on page 47 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, these comparisons are presented in the governmental fund subsection of this report, which starts on page 109.

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 Pampa operates.

Local economy. The City of Pampa has a diverse industrial base. The industries in the area include oil and gas production, various petroleum-based industries, cattle, and grain production. There are specialized chemical and carbon black plants as well as a carbon black research and development facility. The Pampa EDC owns and operates an industrial facility outside the city limits providing plant operation facilities, rail services, and warehousing space, as well as a shopping center inside the City limits. There is also a state prison located one and one-half miles east of the City. The total labor force in Gray County is 8,175. The unemployment rate was 5.9% in January 2016 and was 6.6% in December of 2016.

Long-term financial planning. With the economic downturn experienced by the nation, the City has seen a decrease in the growth experienced over the past few years. The City of Pampa is currently experiencing a slow downturn economically. When oil prices rise, the area's oil and gas production as well as the related oil field service companies and suppliers to the industry fare well. This, in turn, adds jobs and increased revenues to the area and the City. With the recent decrease in oil prices, the City anticipates the local economy will experience a downturn.

Many years ago, the City instituted a five-year capital improvement plan to provide for current needs as well as future needs. This has proven instrumental as a budget planning tool. City management has developed and implemented a program of soliciting citizen involvement and participation in formulating such plans, with a primary emphasis on citizen advisory boards.

The plan categorizes projects as (1) replacement, (2) expansion, or (3) unusual capital expenditures (improvements that enhance the quality of life in Pampa and are consistent with the City's goals, but cannot be categorized as essential for the provision of basic services or maintenance of life). Replacement projects are to be financed over the life of the improvement, with the annual debt service funded from current tax revenues. City policy directs that for unusual projects that it look to the ultimate beneficiaries of such projects in order to determine the source of the funding.

The City has a self-insured dental insurance program for its employees. This program is accounted for as an internal service fund.

The City is a member of the Texas Municipal Retirement System. The City's rate of contribution to the System for the benefit of its employees is computed by actuaries of the System. In an effort to reduce the pension liability, the City has opted to contribute at the full rate determined by the actuaries rather than the mandatory phase-in rate offered.

Relevant financial policies. The goal of the City is to sustain budgetary control and maintain a healthy fund balance in the general fund. The fund balance provides for a minimum unassigned fund balance in the general fund to ensure adequate liquid resources in the event of unanticipated circumstances. This is set at a minimum of 20% of budgeted revenues for the fiscal year, providing roughly 75 days of estimated expenditures. The policy also defines when the minimum fund balance may be spent and provides for replenishment.

Major initiatives. For budget year 2015-16, the City approved a surcharge on all water accounts designated to provide partial funding for future wastewater plant renovations. Phases of the plant renovation project will be put out for bids in the spring of 2017.


Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Pampa for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2015. This was the 28th consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

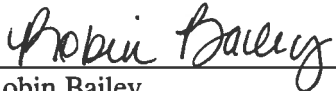
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the commission members for their unflinching support for maintaining the highest standards of professionalism in the management of the City of Pampa's finances.


Respectfully submitted,



Shane Stokes
City Manager



Robin Bailey
Director of Finance & HR



Gayla Pickens
Assistant Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

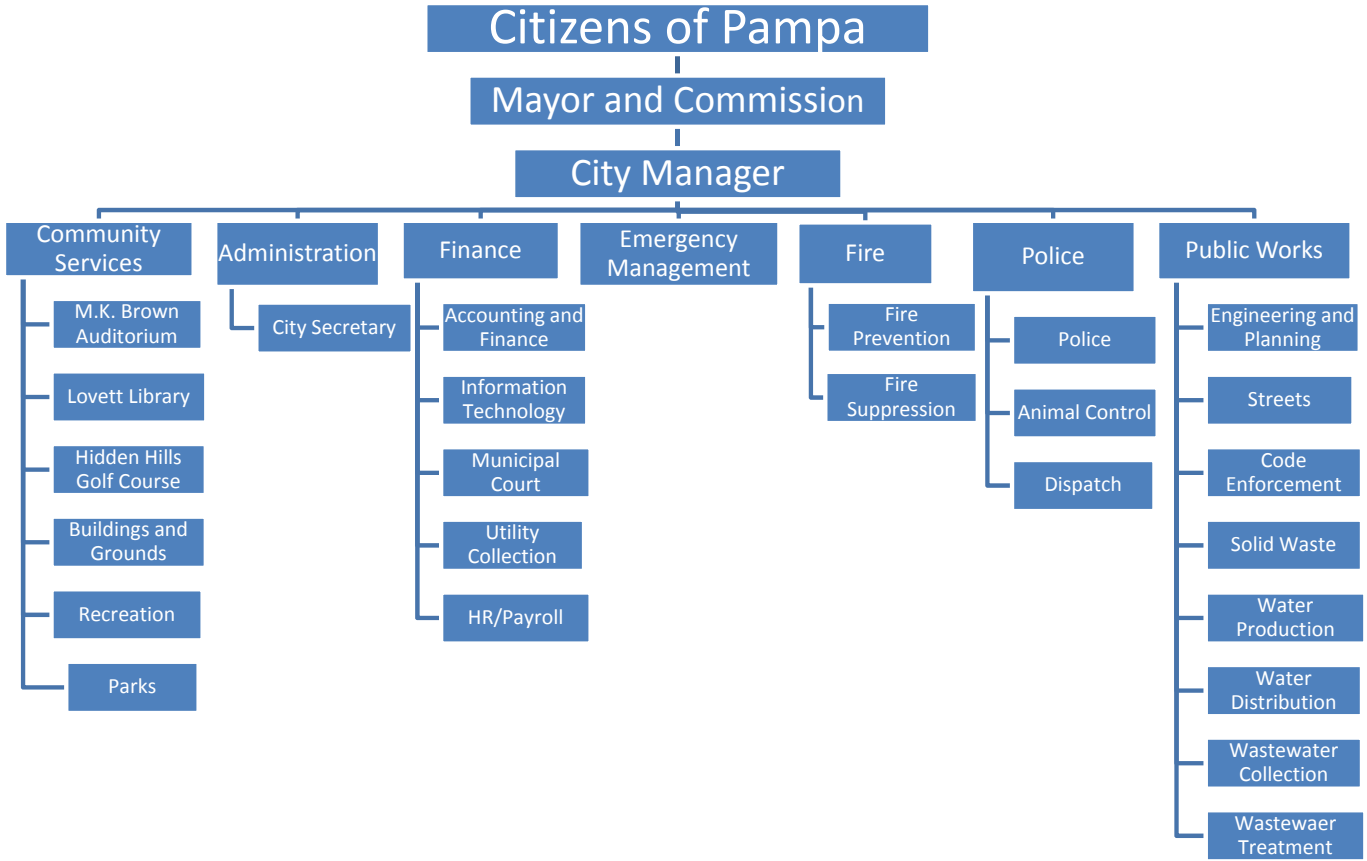
**City of Pampa
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

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CITY OF PAMPA, TEXAS

LIST OF ELECTED AND APPOINTED OFFICIALS

GOVERNING BODY:

Brad Pingel	Mayor
John Studebaker	Commissioner, Ward 1
Chris Porter	Commissioner, Ward 2
Robert Dixon	Commissioner, Ward 3
Karen McLain	Commissioner, Ward 4

OTHER PRINCIPAL OFFICIALS:

Shane Stokes	City Manager
Karen Price	City Secretary
Robin Bailey	Director of Finance & HR
Gayla Pickens	Assistant Director of Finance
Lance Richburg	Police Chief
Greg Lee	Fire Chief
Donny Hooper	Director of Public Works
Dustin Miller	Director of Community Services
Leland Waters	City Attorney
Karen Goodman	Municipal Court Judge

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FINANCIAL SECTION

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BROWN, GRAHAM & COMPANY, P.C.

Certified Public Accountants

PO Box 20210 · Amarillo, Texas 79114

7431 Continental Pkwy · Amarillo, Texas 79119

(806) 355-8241 · Fax (806) 355-6415

Independent Auditor's Report

**Honorable Mayor Brad Pingel and
City Commission
Pampa, Texas**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pampa, Texas (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pampa Economic Development Corporation (the "PEDC"), which represent 100 percent of the discretely presented component unit reported on the City's government-wide financial statements. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the PEDC, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

**Honorable Mayor Brad Pingel and
City Commission**

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 23-32, and the Texas Municipal Retirement System schedule of changes in net pension liability and related ratios, schedule of contributions, and notes to schedule of contributions on pages 98-100, 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, combining and individual nonmajor fund financial statements, budgetary comparison schedules, governmental capital asset schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Honorable Mayor Brad Pingel and
City Commission**

The introductory and statistical sections are also the responsibility of the City's management and 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 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 13, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Brown, Graham & Company, P.C.

Amarillo, Texas
March 13, 2017

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City of Pampa
P. O. Box 2499
Pampa, Texas 79066-2499
www.cityofpampa.org

Management's Discussion and Analysis

As management of the City of Pampa, Texas (the "City of Pampa"), we offer readers of the City of Pampa's financial statements this narrative overview and analysis of the financial activities of the City of Pampa for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 7 of this report. Comparable totals on changes in net position and other schedules in the Management's Discussion and Analysis have been presented for the fiscal year ended September 30, 2015, as well.

Financial Highlights

- The assets and deferred outflows of the City of Pampa exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$20,784,500 (*net position*). Included in this amount is a deficit in unrestricted net position of \$748,161.
- As of the close of the current fiscal year, the City of Pampa's governmental funds reported combined ending fund balances of \$6,085,751. Approximately 66% of this total amount, \$3,997,330 is unassigned and *available for spending* at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,997,330 or 32% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Pampa's basic financial statements. The City of Pampa's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Pampa's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the City of Pampa's assets and deferred outflows, and liabilities and deferred inflows, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Pampa is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flow*. Thus, revenues and expenses are reported in this statement 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 of Pampa that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Pampa include general government, public safety, streets and traffic, solid waste management, and culture and recreation. The business-type activities of the City of Pampa include a water and sewer operation, landfill, an aquatics center, a municipal golf course, and properties being leased to outside parties.

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

The government-wide financial statements can be found on pages 37-39 of this report.

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

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

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

The City of Pampa maintains seven individual governmental funds. Information is presented separately in the governmental funds' balance sheet and in the governmental funds' statement of revenues, expenditures, and changes in fund balances for the general fund, which is the City's only major governmental fund.

Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 42-47 of this report.

Proprietary funds. The City of Pampa maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Pampa uses enterprise funds to account for its water and sewer system, solid waste management, aquatics center, municipal golf course, and leased properties. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Pampa's various functions. The City of Pampa uses an internal service fund to account for its dental insurance benefits provided to employees. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary fund 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 water and sewer system, the solid waste management, and aquatics center, all of which are considered to be major funds for the City of Pampa. Conversely, the internal service fund is combined into a single, aggregated presentation in the proprietary fund financial statements. The municipal golf course and leased properties funds are reported in the form of *combining statements* elsewhere in the report.

The basic proprietary fund financial statements can be found on pages 48-50 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Pampa's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 51 and 115 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 53-96 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Pampa's changes in net pension liability and contributions to the Texas Municipal Retirement System. This required supplementary information can be found on pages 98-100 of this report.

The combining statements referred to earlier in connection with the nonmajor governmental funds and nonmajor proprietary funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 102-108 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Pampa, assets and deferred outflows exceeded liabilities and deferred inflows by \$20,784,500 at the close of the most recent fiscal year.

By far the largest portion of the City of Pampa's net position (84%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Pampa uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending.

Although the City of Pampa's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Fiscal year 2016 resulted in a decrease in net position in the governmental activities and an increase in net position in the business-type activities. Governmental activities decreased the City of Pampa's net position by \$990,323, or 73% from the prior year. The contributing factors to this decrease in net position were recognition of the City's pension expense and reductions in sales tax, utility tax, and hotel motel tax revenues, which can be attributed to the local economy's reliance on the oil industry as well as the loss on sale of a piece of property owned by the City. There was an increase of \$1,689,134 or 8% in net position in the business-type activities as compared to the prior fiscal year, with the largest amount, \$1,354,789, coming from the water and sewer system fund, which was primarily a result of increases in water and sewer rates and grant revenues received for the construction of the water and wastewater treatment plant improvements.

Approximately 20%, \$4,127,700, of the City of Pampa's net position is subject to external restrictions on how it may be used. The remaining balance in net position is a deficit in unrestricted net position of \$748,161.

At the end of the current fiscal year, the City of Pampa is able to report positive balances in all three categories of net position for the business-type activities but reported a deficit in unrestricted net position in the governmental activities of \$8,269,716. There were two principal factors which contributed to the deficit in unrestricted net position of the governmental activities that initially occurred in fiscal year 2015, the transfer of the outstanding debt of the aquatics center fund to the governmental activities and the recognition of the City's net pension liability in accordance with Governmental Accounting Standards Board (GASB) Statement 68. The transfer of the debt and recognition of the City's net pension liability resulted in liabilities for the governmental activities for which there are no associated assets. In response the City will continue to make required contributions to TMRS at the actuarially determined full rate, as provided to the City by TMRS and not the allowed phase-in rate in an effort to address the unfunded liability. For the current year, the net position of the City was decreased by \$990,323 as described above. The City will continue to provide the current services provided to the Citizens, while maintaining focus on the revenues available and costs of providing the services, and their impact on the net position of the City's governmental activities.

Financial Analysis of the Government's Funds

As noted earlier, the City of Pampa uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Pampa's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Pampa's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Pampa. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,997,330, while total fund balance was \$4,793,006. A decrease in capital outlays and principal retirement caused the fund balance and liquidity ratios to increase when compared to the beginning of the year. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 32% of total general fund expenditures, while total fund balance represents 38% of that same amount.

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

Unrestricted net position in the Water and Sewer System Fund at the end of the year amounted to \$4,084,289; the Solid Waste Management Fund amounted to \$263,250; the Aquatics Center amounted to \$78,833; the Lease Properties Fund amounted to \$103,953; and the Municipal Golf Course resulted in a deficit of \$55,858.

In an effort to increase net position, rates were increased in the Water and Sewer and Solid Waste funds. The water and sewer system fund increased net position by \$1,354,789 as the budget was designed to build reserves for capital improvements in the near future. Net position in the Solid Waste Management Fund increased by \$520,234. During a prior year, the City had an engineering firm do a study on our fee structure at our landfill. Rates were adjusted based on the study findings and expenditures have been monitored in an effort to improve net position and plan for future cell expansion. The Aquatics Center and Municipal Golf Course funds received operating transfers to supplement operations.

General Fund Budgetary Highlights

During the year, there was a \$4,222 increase in projected revenues between the original budget and the final amended budget. The final budget exceeded actual revenue recognized by \$450,593. Sales tax revenues were less than the budgeted amounts by \$379,157, while property taxes were less than budgeted amounts by \$19,743. Charges for services had a negative budgetary variance of \$15,219, licenses and permits exceeded the budgeted amount by \$42,997, intergovernmental revenues exceeded budget by \$19,399, and fines were over by \$77,560. In addition to these, other variances combined for a negative variance in budgeted appropriations of \$176,430. A budget shortage in other taxes of \$172,244 made up the majority of this variance. Sales tax revenues began a downturn in March of 2015 and continued through the current year as the economy was negatively affected by the oil industry. For 2016, the overall deficit in actual revenues to the final budget can be attributed to a downturn in the economic condition of the area, primarily due to the decrease in oil prices and production.

During the year, there was also a \$492,857 decrease in projected expenditures between the original budget and the final amended budget. The final budget exceeded actual expenditures by \$1,042,410. General government, public safety, streets and traffic, and culture and recreation expenditures were less than budgeted expenditures by \$78,207, \$521,917, \$112,207, and \$23,740, respectively, while solid waste management actual expenditures exceeded budgeted by \$1,053. Actual capital outlay was \$288,156 less than budgeted as some projects were delayed. In addition to these, debt service reflected an excess in budgeted expenditures over actual of \$19,236. For 2016, the overall excess in budgeted expenditures to actual expenditures can be attributed to cost containment measures in response to the decline of the economy and delaying or changing projects. Fuel costs were substantially lower than budgeted as energy costs were down, and our public safety departments were short on personnel for a portion of the year.

Capital Assets and Debt Administration

Capital Assets. The City of Pampa's investment in capital assets for its governmental and business-type activities as of September 30, 2016 amounted to \$37,246,825, net of accumulated depreciation. This excludes the unamortized landfill permit costs of \$574,734. This investment in capital assets includes land, buildings and improvements, vehicles and equipment, park facilities, roads, bridges, and infrastructure assets.

Significant additions of capital assets for the governmental activities included improvements to the City's park lighting and armory parking lot and sidewalk totaling \$69,599, and the purchase of various vehicles and equipment with a total cost of \$618,624. Significant capital asset additions in the City's business type activities included \$294,344 in construction costs on an aerial water crossing and the water and waste water treatment plants, \$366,451 on water line replacements, \$36,405 in improvements at the golf, and \$484,453 for the purchase of various vehicles and equipment. Additional information on the City of Pampa's capital assets and construction projects may be found on pages 69-71, and page 83 of the CAFR under Note 6 and Note 11 in the Notes to the Financial Statements.

Long-term Debt. At the end of the current fiscal year, the City of Pampa had total bonded debt outstanding of \$21,031,000. Of this amount, \$7,382,606 comprises debt backed by the full faith and credit of the government. The remainder of the City of Pampa's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City of Pampa's overall bonded debt decreased by \$1,836,724 as compared to the prior year. Additional information concerning long-term debt is located in Note 8 in the Notes to the Financial Statements, on pages 73-81.

Economic Factors and Next Year's Budgets and Rates

The City of Pampa's unemployment rate, currently 6.6% as of December 2016, is higher than the State (4.6) and National (4.7) unemployment rates. This rate, along with the other items discussed above, was considered in preparing the City of Pampa's budget for the 2016-17 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Pampa's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Finance Director, P.O. Box 2499, Pampa, Texas, 79066-2499.

CITY OF PAMPA'S NET POSITION

	Governmental Activities	Business-type Activities	Total
	2016	2016	2016
Current and other assets	\$ 6,964,816	\$ 13,561,925	\$ 20,526,741
Capital assets	8,971,196	28,275,629	37,246,825
Total assets	<u>15,936,012</u>	<u>41,837,554</u>	<u>57,773,566</u>
Deferred charge on refunding	107,120	146,974	254,094
Deferred outflow related to TMRS	2,535,785	497,609	3,033,394
Total deferred outflows of resources	<u>2,642,905</u>	<u>644,583</u>	<u>3,287,488</u>
Long-term liabilities outstanding	20,111,004	18,635,487	38,746,491
Other liabilities	756,570	703,172	1,459,742
Total liabilities	<u>20,867,574</u>	<u>19,338,659</u>	<u>40,206,233</u>
Deferred credit on refunding	-	7,199	7,199
Deferred inflow related to TMRS	52,576	10,546	63,122
Total deferred inflows of resources	<u>52,576</u>	<u>17,745</u>	<u>70,321</u>
Net position:			
Net investment in capital assets	4,433,162	16,018,887	17,404,961
Restricted	1,495,321	2,632,379	4,127,700
Unrestricted	<u>(8,269,716)</u>	<u>4,474,467</u>	<u>(748,161)</u>
Total net position	<u>\$ (2,341,233)</u>	<u>\$ 23,125,733</u>	<u>\$ 20,784,500</u>

	Governmental Activities	Business-type Activities	Total
	2015	2015	2015
Current and other assets	\$ 6,871,377	\$ 12,416,129	\$ 19,287,506
Capital assets	10,087,431	29,213,376	39,300,807
Total assets	<u>16,958,808</u>	<u>41,629,505</u>	<u>58,588,313</u>
Deferred charge on refunding	138,946	188,206	327,152
Deferred outflow related to TMRS	1,196,525	234,689	1,431,214
Total deferred outflows of resources	<u>1,335,471</u>	<u>422,895</u>	<u>1,758,366</u>
Long-term liabilities outstanding	18,863,537	19,680,562	38,544,099
Other liabilities	781,652	919,025	1,700,677
Total liabilities	<u>19,645,189</u>	<u>20,599,587</u>	<u>40,244,776</u>
Deferred credit on refunding	-	16,214	16,214
Total deferred inflows of resources	<u>-</u>	<u>16,214</u>	<u>16,214</u>
Net position:			
Net investment in capital assets	5,148,905	15,614,500	17,708,045
Restricted	1,698,544	2,982,699	4,681,243
Unrestricted	<u>(8,198,359)</u>	<u>2,839,400</u>	<u>(2,303,599)</u>
Total net position	<u>\$ (1,350,910)</u>	<u>\$ 21,436,599</u>	<u>\$ 20,085,689</u>

**CITY OF PAMPA'S CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)**

	Governmental Activities	Business-type Activities	Total
	2016	2016	2016
Land	\$ 48,829	\$ 788,941	\$ 837,770
Collection	203,500	-	203,500
Water rights	-	6,336,925	6,336,925
Buildings and improvements	5,690,025	16,820,883	22,510,908
Vehicles and equipment	2,897,027	1,523,848	4,420,875
Surface water supply contracts	-	2,358,984	2,358,984
Roads	131,815	-	131,815
Construction in progress	-	446,048	446,048
Total	<u>\$ 8,971,196</u>	<u>\$ 28,275,629</u>	<u>\$ 37,246,825</u>
	2015	2015	2015
Land	\$ 210,849	\$ 788,941	\$ 999,790
Collection	203,500	-	203,500
Water rights	-	6,488,700	6,488,700
Buildings and improvements	6,203,722	17,757,467	23,961,189
Vehicles and equipment	3,152,609	1,563,331	4,715,940
Surface water supply contracts	-	2,422,740	2,422,740
Roads	314,470	-	314,470
Construction in progress	2,281	192,197	194,478
Total	<u>\$ 10,087,431</u>	<u>\$ 29,213,376</u>	<u>\$ 39,300,807</u>

**CITY OF PAMPA'S OUTSTANDING DEBT
GENERAL OBLIGATION AND REVENUE BONDS**

	Governmental Activities	Business-type Activities	Total
	2016	2016	2016
General obligation bonds	\$ 7,382,606	\$ -	\$ 7,382,606
Revenue bonds	-	7,002,394	7,002,394
Total	<u>\$ 7,382,606</u>	<u>\$ 7,002,394</u>	<u>\$ 14,385,000</u>
	2015	2015	2015
General obligation bonds	\$ 7,803,778	\$ -	\$ 7,803,778
Revenue bonds	-	7,941,226	7,941,226
Total	<u>\$ 7,803,778</u>	<u>\$ 7,941,226</u>	<u>\$ 15,745,004</u>

CITY OF PAMPA CHANGES IN NET POSITION

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
	<u>2016</u>	<u>2016</u>	<u>2016</u>
Revenues:			
Program revenues:			
Charges for services	\$ 4,178,549	\$ 10,786,231	\$ 14,964,780
Operating grants	421,602	16,654	438,256
Capital grants and contributions	-	299,720	299,720
General revenues:			
Property taxes	4,174,713	-	4,174,713
Sales taxes	3,311,843	-	3,311,843
Other taxes	1,569,579	-	1,569,579
Miscellaneous	69,507	79,736	149,243
Total revenues	<u>13,725,793</u>	<u>11,182,341</u>	<u>24,908,134</u>
Expenses:			
General government	2,245,560	-	2,245,560
Public safety	6,917,024	-	6,917,024
Streets and traffic	1,683,410	-	1,683,410
Solid waste management	1,565,106	-	1,565,106
Culture and recreation	1,963,073	-	1,963,073
Interest on long-term debt	268,653	-	268,653
Water and sewer system	-	6,893,330	6,893,330
Solid waste management	-	1,624,659	1,624,659
Aquatics center	-	501,808	501,808
Golf course	-	525,914	525,914
Leased properties	-	20,786	20,786
Total expenses	<u>14,642,826</u>	<u>9,566,497</u>	<u>24,209,323</u>
Change in net position before transfers	(917,033)	1,615,844	698,811
Transfers in (out)	<u>(73,290)</u>	<u>73,290</u>	-
Change in net position after transfers	(990,323)	1,689,134	698,811
Net position - beginning of year	<u>(1,350,910)</u>	<u>21,436,599</u>	<u>20,085,689</u>
Net position - end of year	<u>\$ (2,341,233)</u>	<u>\$ 23,125,733</u>	<u>\$ 20,784,500</u>

CITY OF PAMPA CHANGES IN NET POSITION

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
	<u>2015</u>	<u>2015</u>	<u>2015</u>
Revenues:			
Program revenues:			
Charges for services	\$ 4,026,592	\$ 10,656,242	\$ 14,682,834
Operating grants	121,534	2,923	124,457
Capital grants and contributions	-	66,811	66,811
General revenues:			
Property taxes	3,945,287	-	3,945,287
Sales taxes	4,047,076	-	4,047,076
Other taxes	1,783,540	-	1,783,540
Miscellaneous	147,698	93,683	241,381
Total revenues	<u>14,071,727</u>	<u>10,819,659</u>	<u>24,891,386</u>
Expenses:			
General government	2,218,527	-	2,218,527
Public safety	6,434,064	-	6,434,064
Streets and traffic	1,798,303	-	1,798,303
Solid waste management	1,436,844	-	1,436,844
Culture and recreation	1,837,664	-	1,837,664
Interest on long-term debt	314,523	-	314,523
Bond issuance costs	40,757	-	40,757
Water and sewer system	-	6,830,373	6,830,373
Solid waste management	-	1,604,782	1,604,782
Aquatics center	-	491,665	491,665
Golf course	-	515,374	515,374
Leased properties	-	39,151	39,151
Total expenses	<u>14,080,682</u>	<u>9,481,345</u>	<u>23,562,027</u>
Change in net position before transfers	(8,955)	1,338,314	1,329,359
Debt transfer in (out)	(3,111,128)	3,111,128	-
Transfers in (out)	(90,850)	90,850	-
Change in net position after transfers	<u>(3,210,933)</u>	<u>4,540,292</u>	<u>1,329,359</u>
Net position - beginning of year	10,919,942	18,673,340	29,593,282
Prior period adjustment			
GASB 68 implementation	(9,059,919)	(1,777,033)	(10,836,952)
Net position - end of year	<u>\$ (1,350,910)</u>	<u>\$ 21,436,599</u>	<u>\$ 20,085,689</u>

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**CITY OF PAMPA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

	Primary Government			Component Unit: Pampa Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 4,836,861	\$ 7,791,917	\$ 12,628,778	\$ 3,728,566
Investments	-	-	-	750,000
Receivables, net of allowance for uncollectibles	1,335,067	1,101,828	2,436,895	292,626
Internal balances	41,303	(41,303)	-	-
Inventories	24,267	467,949	492,216	-
Prepaid items	71,230	6,986	78,216	82,619
Note receivable	-	-	-	610,381
Restricted assets:				
Temporarily Restricted:				
Cash and cash equivalents	525,738	3,045,598	3,571,336	-
Accrued interest	350	-	350	-
Receivable - CRMWA	-	378,740	378,740	-
Other assets	-	235,476	235,476	-
Permanently Restricted:				
Investments	130,000	-	130,000	-
Capital assets, net of accumulated depreciation and amortization:				
Land	48,829	788,941	837,770	549,576
Collection	203,500	-	203,500	-
Water rights	-	6,336,925	6,336,925	600,000
Buildings and improvements	5,690,025	16,820,883	22,510,908	6,635,511
Vehicles and equipment	2,897,027	1,523,848	4,420,875	114,592
Surface water supply contracts	-	2,358,984	2,358,984	-
Roads	131,815	-	131,815	-
Construction in progress	-	446,048	446,048	-
Unamortized landfill permit costs	-	574,734	574,734	-
Total assets	15,936,012	41,837,554	57,773,566	13,363,871
Deferred outflows of resources:				
Deferred charge on refunding	107,120	146,974	254,094	-
Deferred outflow related to TMRS	2,535,785	497,609	3,033,394	-
Total deferred outflows of resources	2,642,905	644,583	3,287,488	-
Liabilities:				
Accounts payable	364,943	125,906	490,849	91,032
Accrued expenses	319,371	559,111	878,482	88,513
Unearned revenue	72,256	18,155	90,411	45,065
Non-current liabilities:				
Due within one year	600,587	1,199,227	1,799,814	151,730
Due in more than one year	7,750,922	15,129,726	22,880,648	3,579,983
Unearned revenue	-	-	-	1,111,770
Net pension liability	11,759,495	2,306,534	14,066,029	-
Total liabilities	20,867,574	19,338,659	40,206,233	5,068,093
Deferred inflows of resources:				
Deferred credit on refunding	-	7,199	7,199	-
Deferred inflow related to TMRS	52,576	10,546	63,122	-
Total deferred inflows of resources	52,576	17,745	70,321	-
Net position:				
Net investment in capital assets	4,433,162	16,018,887	17,404,961	4,183,947
Restricted for municipal court	97,270	-	97,270	-
Restricted for public programming facilities	75,611	-	75,611	-
Restricted for park maintenance	42,854	-	42,854	-
Restricted for debt service	191,919	2,625,151	2,817,070	-
Restricted for fire department	9,106	-	9,106	-
Restricted for Lovett library	119,684	-	119,684	-
Restricted for law enforcement	11,497	-	11,497	-
Restricted for equipment purchase	77,468	-	77,468	-
Restricted for M.K. Brown Auditorium:				
Expendable	739,912	-	739,912	-
Nonexpendable	130,000	-	130,000	-
Restricted for building demolition & cleanup	-	7,228	7,228	-
Unrestricted net position (deficit)	(8,269,716)	4,474,467	(748,161)	4,111,831
Total net position (deficit)	\$ (2,341,233)	\$ 23,125,733	\$ 20,784,500	\$ 8,295,778

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

**CITY OF PAMPA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 2,245,560	\$ 1,023,082	\$ -	\$ -
Public safety	6,917,024	624,196	407,498	-
Streets and traffic	1,683,410	-	-	-
Solid waste management	1,565,106	2,435,430	-	-
Culture and recreation	1,963,073	95,841	14,104	-
Interest on long-term debt	268,653	-	-	-
Total governmental activities	<u>14,642,826</u>	<u>4,178,549</u>	<u>421,602</u>	<u>-</u>
Business-type activities:				
Water and sewer system	6,893,330	7,981,648	-	260,315
Solid waste management	1,624,659	2,110,968	16,654	9,405
Aquatics center	501,808	361,125	-	-
Golf course	525,914	287,239	-	30,000
Leased properties	20,786	45,251	-	-
Total business-type activities	<u>9,566,497</u>	<u>10,786,231</u>	<u>16,654</u>	<u>299,720</u>
Total primary government	<u>\$ 24,209,323</u>	<u>\$ 14,964,780</u>	<u>\$ 438,256</u>	<u>\$ 299,720</u>
Component Unit:				
PEDC	<u>\$ 2,570,672</u>	<u>\$ 2,191,632</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes levied for general purposes
Property taxes levied for debt service
Sales taxes
Utility taxes
Hotel & motel taxes
Alcoholic beverage taxes
Investment earnings
Gain on sale of capital assets
Miscellaneous revenues
Transfers in (out)

Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

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

**Net (Expense) Revenue and
Changes in Net Position**

Primary Government			Component Unit: Pampa Economic Development Corporation
Governmental Activities	Business-Type Activities	Total	
\$ (1,222,478)	\$ -	\$ (1,222,478)	\$ -
(5,885,330)	-	(5,885,330)	-
(1,683,410)	-	(1,683,410)	-
870,324	-	870,324	-
(1,853,128)	-	(1,853,128)	-
(268,653)	-	(268,653)	-
<u>(10,042,675)</u>	<u>-</u>	<u>(10,042,675)</u>	<u>-</u>
-	1,348,633	1,348,633	-
-	512,368	512,368	-
-	(140,683)	(140,683)	-
-	(208,675)	(208,675)	-
-	24,465	24,465	-
<u>-</u>	<u>1,536,108</u>	<u>1,536,108</u>	<u>-</u>
<u>(10,042,675)</u>	<u>1,536,108</u>	<u>(8,506,567)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(379,040)</u>
3,505,228	-	3,505,228	-
669,485	-	669,485	-
3,311,843	-	3,311,843	1,103,948
1,197,052	-	1,197,052	-
366,823	-	366,823	-
5,704	-	5,704	-
3,481	2,019	5,500	41,291
-	-	-	2,688
66,026	77,717	143,743	23,713
(73,290)	73,290	-	-
<u>9,052,352</u>	<u>153,026</u>	<u>9,205,378</u>	<u>1,171,640</u>
(990,323)	1,689,134	698,811	792,600
<u>(1,350,910)</u>	<u>21,436,599</u>	<u>20,085,689</u>	<u>7,503,178</u>
<u>\$ (2,341,233)</u>	<u>\$ 23,125,733</u>	<u>\$ 20,784,500</u>	<u>\$ 8,295,778</u>

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FUND FINANCIAL STATEMENTS

CITY OF PAMPA, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 3,860,712	\$ 934,644	\$ 4,795,356
Receivables (net of allowance for uncollectibles)	1,280,389	54,678	1,335,067
Due from other funds	41,303	1,746	43,049
Inventories	24,267	-	24,267
Prepaid items	65,388	5,842	71,230
Restricted assets:			
Restricted cash	302,309	223,429	525,738
Restricted accrued interest	-	350	350
Restricted investments	-	130,000	130,000
Total assets	\$ 5,574,368	\$ 1,350,689	\$ 6,925,057
Liabilities, Deferred Inflows and Fund Balances:			
Liabilities:			
Accounts payable	\$ 339,725	\$ 22,521	\$ 362,246
Accrued expenditures	293,981	12,384	306,365
Due to other funds	1,746	-	1,746
Unearned revenue	72,255	-	72,255
Total liabilities	707,707	34,905	742,612
Deferred inflows of resources:			
Unavailable revenue - property taxes	73,655	23,039	96,694
Total deferred inflows of resources	73,655	23,039	96,694
Fund balances:			
Nonspendable fund balance:			
Prepaid items	65,388	5,842	71,230
Inventories	24,267	-	24,267
Permanent fund principal	-	130,000	130,000
Restricted fund balance:			
Municipal court security and technology	97,270	-	97,270
Public programming facilities	75,611	-	75,611
Park maintenance	42,854	-	42,854
Fire department	9,106	-	9,106
Equipment purchase	77,468	-	77,468
Debt service	-	191,919	191,919
Capital acquisition	-	93,891	93,891
MK Brown auditorium	-	739,912	739,912
Lovett library	-	119,684	119,684
Law enforcement	-	11,497	11,497
Assigned fund balance:			
Vehicle replacement	275,401	-	275,401
Dumpster & sanitation equipment	126,638	-	126,638
Law enforcement	1,673	-	1,673
Unassigned fund balance	3,997,330	-	3,997,330
Total fund balances	4,793,006	1,292,745	6,085,751
Total liabilities, deferred inflows and fund balances	\$ 5,574,368	\$ 1,350,689	\$ 6,925,057

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

CITY OF PAMPA, TEXAS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Total fund balances - Governmental Funds	\$	6,085,751
<p>The City uses an internal service fund to charge the costs of providing dental benefits to its employees to appropriate functions in other funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position, but not in the Governmental Funds Balance Sheet. The net effect of this consolidation is to increase net position.</p>		
		38,808
<p>Capital assets used in the governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$44,673,179 and the accumulated depreciation was \$34,585,748. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. At the beginning of the year, the balance of long-term liabilities was \$8,595,008. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.</p>		
		1,492,423
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they are reported as increases in capital assets and reductions in long-term debt in the government-wide financial statements. For the year ended September 30, 2016, the amount of capital outlays and debt principal payments were \$685,942 and \$464,665 respectively. The net effect of including the 2016 capital outlays and debt principal payments is to increase net position.</p>		
		1,150,607
<p>Included in the items related to debt is the recognition of the City's net pension liability as required by GASB 68. For the year ended September 30, 2016 the net pension liability was \$11,759,495, the deferred inflow related to pensions was \$52,576 and the deferred outflow related to pensions was \$2,535,785. The net effect of recognition of the net pension liability is to decrease net position.</p>		
		(9,276,286)
<p>The 2016 depreciation expense increased accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.</p>		
		(1,402,173)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unearned revenue as revenue, eliminating inter-fund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications, eliminations, and recognitions is to decrease net position.</p>		
		<u>(430,363)</u>
Net position of Governmental Activities	\$	<u><u>(2,341,233)</u></u>

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

CITY OF PAMPA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes:			
Property taxes	\$ 3,258,643	\$ 854,159	\$ 4,112,802
Sales taxes	3,311,843	-	3,311,843
Other taxes	1,202,756	366,823	1,569,579
Penalties and interest on taxes	59,716	6,433	66,149
Licenses and permits	220,297	-	220,297
Intergovernmental	404,505	5,000	409,505
Charges for services	3,601,720	37,758	3,639,478
Fines	380,560	5,523	386,083
Investment earnings	1,621	1,850	3,471
Contributions and donations	11,428	668	12,096
Other revenue	297,196	30,893	328,089
Total revenues	<u>12,750,285</u>	<u>1,309,107</u>	<u>14,059,392</u>
Expenditures:			
Current:			
General government	1,865,479	-	1,865,479
Public safety	6,383,905	-	6,383,905
Streets and traffic	1,327,707	-	1,327,707
Solid waste management	1,357,357	-	1,357,357
Culture and recreation	786,980	807,146	1,594,126
Capital outlay	685,942	-	685,942
Debt service:			
Principal retirement	43,493	421,172	464,665
Interest and fiscal charges	7,384	248,326	255,710
Total expenditures	<u>12,458,247</u>	<u>1,476,644</u>	<u>13,934,891</u>
Excess (deficiency) of revenues over (under) expenditures	<u>292,038</u>	<u>(167,537)</u>	<u>124,501</u>
Other financing sources (uses):			
Transfers in	194,558	199,000	393,558
Transfers out	<u>(336,000)</u>	<u>(130,848)</u>	<u>(466,848)</u>
Total other financing sources (uses)	<u>(141,442)</u>	<u>68,152</u>	<u>(73,290)</u>
Net change in fund balances	150,596	(99,385)	51,211
Fund balances at beginning of year	<u>4,642,410</u>	<u>1,392,130</u>	<u>6,034,540</u>
Fund balances at end of year	<u>\$ 4,793,006</u>	<u>\$ 1,292,745</u>	<u>\$ 6,085,751</u>

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

**CITY OF PAMPA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Total net changes in fund balances - Governmental Funds	\$	51,211
<p>The City uses an internal service fund to charge the costs of providing dental benefits to its employees to appropriate functions in other funds. The net income of the internal service fund is reported with governmental activities in the Statement of Activities. The net effect of this consolidation is to decrease net position.</p>		
		6,872
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they are reported as increases in capital assets and reductions in long-term debt in the government-wide financial statements. For the year ended September 30, 2016, the amount of capital outlays and debt principal payments were \$685,942 and \$464,665 respectively. The net effect of including the 2016 capital outlays and debt principal payments is to increase net position.</p>		
		1,150,607
<p>The 2016 depreciation expense increased accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.</p>		
		(1,402,173)
<p>The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/2015 caused the change in the ending net position to increase in the amount of \$923,257. The City recorded the current measurement period of pension expense which increased pension expense by \$961,850. The City also recorded other items affecting pension expense that decreased pension expense by \$112,480. The City recorded the amortization of deferred resource outflows which increased pension expense by \$441,123. The City recorded the amortization of deferred resource inflows which decreased pension expense by \$24,007. The impact of all of these adjustments is to decrease the change in net position by \$343,229.</p>		
		(343,229)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unearned revenue as revenue, eliminating inter-fund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications, eliminations, and recognitions is to decrease net position.</p>		
		<u>(453,611)</u>
Change in net position of Governmental Activities	\$	<u><u>(990,323)</u></u>

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

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CITY OF PAMPA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property taxes	\$ 3,278,386	\$ 3,278,386	\$ 3,258,643	\$ (19,743)
Sales taxes	4,191,000	3,691,000	3,311,843	(379,157)
Other taxes	1,375,000	1,375,000	1,202,756	(172,244)
Penalties and interest on taxes	70,000	70,000	59,716	(10,284)
Licenses and permits	177,300	177,300	220,297	42,997
Intergovernmental	99,175	385,106	404,505	19,399
Charges for services	3,616,940	3,616,939	3,601,720	(15,219)
Fines	303,000	303,000	380,560	77,560
Investment earnings	2,500	2,500	1,621	(879)
Contributions and donations	12,500	12,700	11,428	(1,272)
Other revenue	70,855	288,947	297,196	8,249
	<u>13,196,656</u>	<u>13,200,878</u>	<u>12,750,285</u>	<u>(450,593)</u>
Total revenues				
Expenditures:				
Current:				
General government	1,989,849	1,943,686	1,865,479	78,207
Public safety	6,924,530	6,905,822	6,383,905	521,917
Streets and traffic	1,530,673	1,439,914	1,327,707	112,207
Solid waste management	1,372,440	1,356,304	1,357,357	(1,053)
Culture and recreation	859,121	810,720	786,980	23,740
Capital outlay	1,249,368	974,098	685,942	288,156
Debt service:				
Principal retirement	61,572	58,493	43,493	15,000
Interest and fiscal charges	5,961	11,620	7,384	4,236
	<u>13,993,514</u>	<u>13,500,657</u>	<u>12,458,247</u>	<u>1,042,410</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>(796,858)</u>	<u>(299,779)</u>	<u>292,038</u>	<u>591,817</u>
Other financing sources (uses):				
Transfers in	180,210	194,558	194,558	-
Transfers out	(336,000)	(336,000)	(336,000)	-
	<u>(155,790)</u>	<u>(141,442)</u>	<u>(141,442)</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balances	(952,648)	(441,221)	150,596	591,817
Fund balances at beginning of year	<u>4,642,410</u>	<u>4,642,410</u>	<u>4,642,410</u>	<u>-</u>
Fund balances at end of year	<u>\$ 3,689,762</u>	<u>\$ 4,201,189</u>	<u>\$ 4,793,006</u>	<u>\$ 591,817</u>

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

CITY OF PAMPA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water and Sewer System	Solid Waste Management	Aquatics Center	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Assets:						
Current assets:						
Cash and cash equivalents	\$ 4,317,112	\$ 3,265,001	\$ 95,278	\$ 114,526	\$ 7,791,917	\$ 41,505
Restricted assets - current:						
Cash and cash equivalents	1,852,158	1,188,107	-	5,333	3,045,598	-
Receivables	378,740	-	-	-	378,740	-
Other assets	235,476	-	-	-	235,476	-
Receivables - net of uncollectible allowance	965,446	134,510	2	1,870	1,101,828	-
Prepaid expense	6,986	-	-	-	6,986	-
Inventories	464,676	-	3,273	-	467,949	-
Total current assets	8,220,594	4,587,618	98,553	121,729	13,028,494	41,505
Non-current assets:						
Capital assets:						
Land	99,734	53,125	90,568	545,514	788,941	-
Water rights	7,588,780	-	-	-	7,588,780	-
Buildings and improvements	31,211,271	5,996,336	4,616,490	2,193,627	44,017,724	-
Vehicles and equipment	4,284,503	3,070,314	13,828	528,300	7,896,945	-
Surface water supply contracts	5,419,278	-	-	-	5,419,278	-
Roads	-	215,295	-	-	215,295	-
Construction in progress	446,048	-	-	-	446,048	-
Less: accumulated depreciation and amortization	(27,157,986)	(8,404,103)	(819,699)	(1,715,594)	(38,097,382)	-
Unamortized landfill permit costs	-	574,734	-	-	574,734	-
Total non-current assets	21,891,628	1,505,701	3,901,187	1,551,847	28,850,363	-
Total assets	30,112,222	6,093,319	3,999,740	1,673,576	41,878,857	41,505
Deferred outflows:						
Deferred charge on refunding	146,974	-	-	-	146,974	-
Deferred outflow related to TMRS	392,100	105,509	-	-	497,609	-
Total deferred outflows of resources	539,074	105,509	-	-	644,583	-
Liabilities:						
Current liabilities:						
Accounts payable	69,809	20,306	19,720	16,071	125,906	-
Accrued expenses	37,673	12,880	-	-	50,553	-
Claims and judgments payable	-	-	-	-	-	2,697
Due to other funds	-	-	-	41,303	41,303	-
Accrued interest payable	89,786	46,191	-	2,825	138,802	-
Unearned revenue	-	7,228	-	10,927	18,155	-
Customer deposits	369,756	-	-	-	369,756	-
Bonds payable - current:						
Revenue bonds and certificates of obligation	297,144	284,266	-	7,150	588,560	-
CRMWA obligations	511,419	-	-	-	511,419	-
Capital leases payable - current	-	-	-	44,055	44,055	-
Compensated absences	36,687	18,506	-	-	55,193	-
Total current liabilities	1,412,274	389,377	19,720	122,331	1,943,702	2,697
Non-current liabilities:						
Revenue bonds and certificates of obligation (net)	3,601,076	3,095,014	-	44,107	6,740,197	-
CRMWA obligations (net)	6,683,005	-	-	-	6,683,005	-
Net pension liability	1,828,619	477,915	-	-	2,306,534	-
Capital leases payable	-	-	-	90,337	90,337	-
Compensated absences	12,229	6,169	-	-	18,398	-
Landfill closure liability	-	1,597,789	-	-	1,597,789	-
Total non-current liabilities	12,124,929	5,176,887	-	134,444	17,436,260	-
Total liabilities	13,537,203	5,566,264	19,720	256,775	19,379,962	2,697
Deferred inflows of resources:						
Deferred credit on refunding	-	7,199	-	-	7,199	-
Deferred inflow related to TMRS	8,248	2,298	-	-	10,546	-
Total deferred inflows of resources	8,248	9,497	-	-	17,745	-
Net position:						
Net investment in capital assets	11,343,686	(592,184)	3,901,187	1,366,198	16,018,887	-
Restricted for debt service	1,677,870	944,773	-	2,508	2,625,151	-
Restricted for building demolition and cleanup	-	7,228	-	-	7,228	-
Unrestricted	4,084,289	263,250	78,833	48,095	4,474,467	38,808
Total net position	\$ 17,105,845	\$ 623,067	\$ 3,980,020	\$ 1,416,801	\$ 23,125,733	\$ 38,808

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

CITY OF PAMPA, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Fund
	Water and Sewer System	Solid Waste Management	Aquatics Center	Other Enterprise Funds		
Operating revenues:						
Charges for services	\$ 7,981,648	\$ 2,110,968	\$ 341,195	\$ 287,239	\$ 10,721,050	\$ 91,005
Rent	-	-	19,930	45,251	65,181	-
Other revenues	318,123	33,004	7,940	35,024	394,091	-
Total operating revenues	8,299,771	2,143,972	369,065	367,514	11,180,322	91,005
Operating expenses:						
Personnel services	1,420,758	457,634	181,458	-	2,059,850	-
Contractual services	2,064,174	218,017	39,073	284,218	2,605,482	6,188
Supplies and materials	675,181	243,809	114,089	77,924	1,111,003	-
Depreciation and amortization	1,333,574	458,662	156,245	136,642	2,085,123	-
Intercity administrative charges	893,699	68,000	-	26,300	987,999	-
Insurance and claims	39,137	16,145	7,587	7,967	70,836	77,955
Total operating expenses	6,426,523	1,462,267	498,452	533,051	8,920,293	84,143
Operating income (loss)	1,873,248	681,705	(129,387)	(165,537)	2,260,029	6,862
Non-operating revenues (expenses):						
Investment earnings	1,058	921	13	27	2,019	10
Interest and fiscal charges	(466,807)	(162,392)	(3,356)	(13,649)	(646,204)	-
Total non-operating revenues (expenses)	(465,749)	(161,471)	(3,343)	(13,622)	(644,185)	10
Income (loss) before capital contributions and transfers	1,407,499	520,234	(132,730)	(179,159)	1,615,844	6,872
Transfers in	-	-	25,000	141,000	166,000	-
Transfers out	(52,710)	-	-	(40,000)	(92,710)	-
Change in net position	1,354,789	520,234	(107,730)	(78,159)	1,689,134	6,872
Total net position - beginning of year	15,751,056	102,833	4,087,750	1,494,960	21,436,599	31,936
Total net position - end of year	\$ 17,105,845	\$ 623,067	\$ 3,980,020	\$ 1,416,801	\$ 23,125,733	\$ 38,808

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

CITY OF PAMPA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>					<u>Governmental Activities Internal Service Fund</u>
	<u>Water and Sewer System</u>	<u>Solid Waste Management</u>	<u>Aquatics Center</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Total</u>	
Cash flows from operating activities:						
Receipts from customers and users	\$ 8,346,973	\$ 2,096,758	\$ 369,063	\$ 357,264	\$ 11,170,058	\$ -
Receipts from inter-fund services provided	-	-	-	-	-	91,005
Payments to employees	(1,385,535)	(431,256)	(181,458)	-	(1,998,249)	-
Payments to insurance claims	-	-	-	-	-	(78,714)
Payments to suppliers	(2,848,407)	(405,505)	(147,051)	(360,977)	(3,761,940)	(6,188)
Payments for inter-fund services used	(893,699)	(68,000)	-	15,003	(946,696)	-
Net cash flows from operating activities	<u>3,219,332</u>	<u>1,191,997</u>	<u>40,554</u>	<u>11,290</u>	<u>4,463,173</u>	<u>6,103</u>
Cash flows from non-capital financing activities:						
Transfers from other funds	-	-	25,000	141,000	166,000	-
Transfers to other funds	(52,710)	-	-	(40,000)	(92,710)	-
Net cash flows from non-capital financing activities	<u>(52,710)</u>	<u>-</u>	<u>25,000</u>	<u>101,000</u>	<u>73,290</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(657,855)	(308,313)	-	(55,112)	(1,021,280)	-
Principal paid on capital debt	(1,214,741)	(223,058)	-	(71,828)	(1,509,627)	-
Interest paid on capital debt	(497,720)	(143,970)	(3,356)	(11,650)	(656,696)	-
Net cash flows from capital and related financing activities	<u>(2,370,316)</u>	<u>(675,341)</u>	<u>(3,356)</u>	<u>(138,590)</u>	<u>(3,187,603)</u>	<u>-</u>
Cash flows from investing activities:						
Interest and dividends received	1,058	921	13	27	2,019	10
Net cash flows from investing activities	<u>1,058</u>	<u>921</u>	<u>13</u>	<u>27</u>	<u>2,019</u>	<u>10</u>
Net increase (decrease) in cash and cash equivalents	797,364	517,577	62,211	(26,273)	1,350,879	6,113
Cash and cash equivalents at beginning of year	<u>5,371,906</u>	<u>3,935,531</u>	<u>33,067</u>	<u>146,132</u>	<u>9,486,636</u>	<u>35,392</u>
Cash and cash equivalents at end of year	<u>\$ 6,169,270</u>	<u>\$ 4,453,108</u>	<u>\$ 95,278</u>	<u>\$ 119,859</u>	<u>\$ 10,837,515</u>	<u>\$ 41,505</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	\$ 1,873,248	\$ 681,705	\$ (129,387)	\$ (165,537)	\$ 2,260,029	\$ 6,862
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:						
Depreciation and amortization	1,333,574	458,662	156,245	136,642	2,085,123	-
Changes in assets & liabilities:						
(Increase) decrease in:						
Receivables	20,810	(30,560)	(2)	359	(9,393)	-
Prepaid expense	11,259	3,319	-	-	14,578	-
Inventories	153,061	-	(683)	-	152,378	-
Deferred outflows related to TMRS	(205,635)	(57,285)	-	-	(262,920)	-
Increase (decrease) in:						
Accounts payable	(205,598)	(7,784)	14,381	9,132	(189,869)	(759)
Accrued expenses	9,969	4,765	-	-	14,734	-
Due to other funds	-	-	-	41,303	41,303	-
Unearned revenue	-	(16,654)	-	(10,609)	(27,263)	-
Net pension liability	250,039	69,656	-	-	319,695	-
Deferred inflows related to TMRS	8,248	2,298	-	-	10,546	-
Customer deposits	(2,245)	-	-	-	(2,245)	-
Compensated absences	(27,398)	6,944	-	-	(20,454)	-
Landfill closure liability	-	76,931	-	-	76,931	-
Total adjustments	<u>1,346,084</u>	<u>510,292</u>	<u>169,941</u>	<u>176,827</u>	<u>2,203,144</u>	<u>(759)</u>
Net cash provided by operating activities	<u>\$ 3,219,332</u>	<u>\$ 1,191,997</u>	<u>\$ 40,554</u>	<u>\$ 11,290</u>	<u>\$ 4,463,173</u>	<u>\$ 6,103</u>
Reconciliation of total cash and cash equivalents:						
Cash and cash equivalents on statement of net position	\$ 4,317,112	\$ 3,265,001	\$ 95,278	\$ 114,526	\$ 7,791,917	\$ 41,505
Restricted cash and cash equivalents on statement of net position	<u>1,852,158</u>	<u>1,188,107</u>	<u>-</u>	<u>5,333</u>	<u>3,045,598</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 6,169,270</u>	<u>\$ 4,453,108</u>	<u>\$ 95,278</u>	<u>\$ 119,859</u>	<u>\$ 10,837,515</u>	<u>\$ 41,505</u>

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

**CITY OF PAMPA, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016**

	<u>Agency Fund</u> <u>Municipal Court Bail Bond</u>
Assets:	
Cash and cash equivalents	\$ 1,581
Total assets	\$ <u>1,581</u>
Liabilities:	
Accounts payable	\$ 352
Deposits	1,229
Total liabilities	\$ <u>1,581</u>

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

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CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Pampa, Texas (the City) operates under a Commission-Manager form of government and provides the following services, as authorized by its charter adopted in 1927: police and fire protection, streets and traffic control, planning, code enforcement, and general administrative services. In addition, the City maintains the water and sewer system and a solid waste management operation, the activities of which are accounted for as enterprise funds. The City also operates a municipal golf course, leases various properties, and operates an aquatics park all of which are also accounted for in enterprise funds.

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

A. Reporting Entity

The Financial Reporting Entity

The City is a municipality governed by an elected five member commission made up of the Mayor and four other commissioners. In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB 61 – *The Financial Reporting Entity: Omnibus* (GASB 61). Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise control. The most significant manifestation of this ability is financial interdependency. Other manifestations of this ability include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relations, regardless of whether the government is able to exercise control.

Based upon the application of these criteria, the City has one component unit, the Pampa Economic Development Corporation.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

A. Reporting Entity (continued)

Individual Component Unit Disclosures

Discretely presented component units:

The component unit column in the government-wide financial statements includes the financial data of the Pampa Economic Development Corporation (the "PEDC") which was established by voters of the City in November 2005. This PEDC was established for the promotion of business and economic development in and around the City, and is being funded by a ½ cent sales tax also approved by the voters of the City. In December 2005, the City appointed a separate seven member board of directors that have the responsibility of managing the activities of the PEDC. The board of directors adopted a resolution approving the articles of incorporation, and adopted and approved the corporate bylaws of the PEDC in February 2006. The PEDC also began its operations during the year ended September 30, 2006, and began receiving the ½ cent sales tax which is being used to fund operations of the PEDC. The City is responsible for approving the operating budget of the PEDC as adopted by the seven member board of directors. The PEDC has elected to prepare separate financial statements for the year ended September 30, 2016, which include a complete set of financial statements and footnote disclosures. A copy of the annual financial statements may be obtained by contacting the PEDC at P.O. Box 2398, Pampa, Texas, 79065. During the year ended September 30, 2016, the City remitted \$1,103,948 to the PEDC for its portion of the sales taxes received from the State Comptroller.

Related Organizations

The City Commission is also responsible for appointing one of the five board members of the Gray County Appraisal District and has the ability to suggest changes to the District's budget. The District assesses property valuations for all the taxing entities in Gray County. The City remits a fee to the Gray County Appraisal District for its services. The City has no authority over the District or accountability beyond that mentioned above.

Jointly Governed Organizations

The Canadian River Municipal Water Authority ("CRMWA") is a water district that was created in 1953 by the Texas Legislature to construct a dam, water reservoir and aqueduct system for the purpose of supplying water to surrounding municipalities. Its geographic area includes the surface water in the Texas Panhandle known as Lake Meredith, and the aqueduct system which supplies eleven cities. The affairs of CRMWA are governed by a board of nineteen individual members. The City, as one of the eleven cities, appoints two members. Prior to construction, each city contracted to purchase surface water and was allotted a portion of the water rights together with a proportional amount of the construction costs. On May 15, 1996, the City, along with other members, entered into a contract for the purchase and construction of a conjunctive use ground water supply, as more fully described in notes 8 and 12. The City does not appoint a significant portion of the governing board, designate management, nor have the ability to significantly influence operations. A copy of the annual financial statements may be obtained by contacting CRMWA at P.O. Box 9, Sanford, Texas, 79078.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

B. Government-Wide and Fund 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 unit. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the *primary government* is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The fiduciary fund financial statements are also prepared using the *accrual basis of accounting*, but have no measurement focus.

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

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Agency funds, unlike all other funds, do not have a measurement focus; rather, agency funds report only assets and liabilities.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

The Water and Sewer System Fund - The Water and Sewer System Fund is used to account for the provision of water and sewer services to residents and commercial enterprises of the City and proximate area. In accordance with the City's accounting policies, the City maintains a number of departments within this fund to account for water and sewer billing and collection, maintenance and operations, extensions and improvements, and customer deposits, all of which have been consolidated for the financial statement presentation.

The Solid Waste Management Fund - The Solid Waste Management Fund is used to account for the operation of the City's solid waste landfill.

The Aquatics Center Fund - The Aquatics Center Fund is used to account for the operation of the City's aquatics park.

The Dental Benefits Internal Service Fund - The Dental Benefits Fund is used to account for dental benefits provided to the City's employees that are charged to the various departments of the City on a cost reimbursement basis.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Additionally, the City reports the following fund types:

Non-major governmental funds:

Debt Service Fund - The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than the Permanent Fund or Capital Projects Fund) that are legally restricted to specific purposes. The City's Special Revenue Funds are as follows:

Controlled Substances - To account for cash or marketable properties seized during arrests. Under state statutes, such property is allowed to be used for local law enforcement activities.

M.K. Brown Auditorium - To account for revenues derived from tax levied on gross hotel/motel receipts which may be spent on conventions, convention promotion or convention center facilities. The fund also accounts for transfers from the M.K. Brown Auditorium Permanent Fund to be used for maintenance of and improvements to the auditorium.

Lovett Memorial Library - To account for ad valorem taxes levied for the maintenance and support of the Lovett Memorial Library.

M.K. Brown Permanent Fund - The M.K. Brown Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the M.K. Brown Auditorium.

Nonmajor Proprietary Funds:

The Municipal Golf Course Fund - The Municipal Golf Course Fund is used to account for the operation of the City's public golf course known as Hidden Hills.

The Leased Properties Fund - The Leased Properties Fund is used to account for the activities of various property owned by the City that is being leased to outside parties.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Agency Fund - The City has one Agency Fund, the Municipal Court Bail Bond Fund, which is used to account for bail bonds received from various individuals, with the City acting only in a fiduciary capacity for these funds being held.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 City's enterprise funds and of the City's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

D. Budgets

As provided by state law, the City follows these procedures in establishing the annual budgetary data reflected in the financial statements:

At least 30 days prior to the time when the City Commission makes its tax levy for the upcoming fiscal year beginning October 1, the City Manager, as budget officer, files a proposed operating budget, including proposed expenditures and the means of financing them. Such budget is available for the inspection of any taxpayer and public hearings are conducted no less than 15 days subsequent to the time of filing. The City Commission has authority to make such changes in the budget as it deems warranted. Prior to October 1, the budget is legally enacted through passage of an ordinance.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

D. Budgets (continued)

The City's Executive Budget, Annual Operating Budget and Program of Services, are prepared annually for all governmental funds on a detailed account level (line-item) basis. However, the legal level of budgetary control is directed at total expenditures at the individual fund level. The account level basis of the annual Executive Budget is intended purely as a management planning and control device. The City Manager is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures on an individual fund basis require the City Commission's approval. Although not legally required by state or local law, the City adopts budgets for all proprietary funds to aid management in planning and internal control. The budget-to-actual comparisons in the combined financial statements are presented on a function level basis to provide information concerning the City's performance as it relates to the Executive Budget.

The City uses a flow of current financial resources method to budget for governmental funds and a flow of economic resources method to budget for proprietary funds. Governmental fund budgets are substantially on a basis consistent with GAAP. Proprietary fund budgets are not on a basis consistent with GAAP in that depreciation expense is not budgeted and capital asset purchases and debt principal payments are shown as expenses in the budget. The budgeted amounts reflected in the financial statements are as last amended by the City Commission. Appropriations lapse at year-end.

E. Encumbrances

Encumbrances are commitments related to unperformed (executory) contracts for goods or services, and are a common budgetary control device, used in conjunction with a formally integrated budget to insure that appropriations are not exceeded. Encumbrance accounting has not been employed in the financial records of the City.

F. Cash and Investments

As permitted by State statute and City ordinance, required reserves and funds held pending expenditures are invested in obligations of the U.S. Treasury as well as in savings accounts, insured money market accounts and/or NOW Accounts in the official City depository.

The City maintains a cash pool that is used to transact a substantial majority of cash transactions for all funds. Interest income earned by the cash pool is allocated monthly to funds based on relative balances (of positive accounts only) at month end.

For purposes of the statement of cash flows for proprietary and similar trust funds, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments are stated at cost which approximates fair value.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

G. Receivables

Management provides an allowance for uncollectible receivables based on an estimate of the amounts that will ultimately be uncollectible.

H. Short-Term Inter-fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet until such time as cash is transferred in payment of these accounts.

I. Inventories and Prepaid Items

Inventories of materials and supplies are maintained in the General Fund and are managed by the central stores department of the General Fund. The Water and Sewer System maintains an inventory of pipeline and related stores and the Aquatics Center maintains an inventory of materials and supplies. These inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when requisitioned by the various funds and departments of the City (the consumption method).

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both government-wide and fund financial statements. Similar to inventory, prepaid items are recorded as expenditures when requisitioned by the various funds and departments of the City (the consumption method).

J. Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Deposits from consumers which are to be applied to customer accounts that become uncollectible or otherwise refunded upon termination of utility service are also classified as restricted assets. The City may also receive grants or other donations that are subject to restrictions by outside parties, which are also classified as restricted assets.

K. 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 City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

K. Capital Assets (continued)

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. Additionally the City's policy is to expense the cost of maintaining and modifying the landfill permits, as incurred. The original cost of the permits are amortized over the life of the landfill sites.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Building improvements	10-50
Public domain infrastructure	20
System infrastructure	30-80
Vehicles and small equipment	5-30
Furniture and fixtures	7
Surface water supply contract	85

The City has accumulated a small collection of art objects consisting of a painting and several sculptures through various donations. The City has capitalized these items, but is not depreciating them, as the collection has intrinsic value to the City and the City has deemed them to be inexhaustible. The City has the following policy pertaining to its collection items

- Items in the collection are held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- Collection items are protected, kept unencumbered, cared for, and preserved.
- Collection items are subject to the City's policy in that proceeds from the sale of collection items are to be used to acquire other items for collection.

In order to better track the collection, the City has created a separate category on its financial statements for these assets.

L. Compensated Absences

The City provides annual vacation leave of two to five weeks (depending upon years of service). Employees accumulate up to forty-five days of vacation which will be paid upon termination or retirement. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Employees are provided twelve days of sick leave per year. Sick leave accumulates up to ninety days, and is paid out at termination only upon qualified retirement. Sick pay is accrued in the government-wide, governmental, proprietary, and fiduciary funds only when a liability is matured, i.e. for those employees who have reached retirement age.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

M. Long-Term Obligations

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

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

N. Net Position and Fund Balance

The City's fund balances for its governmental funds are presented in accordance with GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which classifies fund balance based on the level of constraints placed on the usage of fund resources. Under GASB 54, fund balances for governmental funds are reported in the following categories:

- Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – The restricted fund balance classification includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority, the City Commission, in the form of a resolution. Commitments may be changed or lifted only by taking the same formal action that imposed the constraints originally.
- Assigned – The assigned fund balance classification includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Commission has delegated the authority to assign fund balance to the finance committee which is comprised of the City Manager and the City's Finance Director. Fund balance is assigned through the unanimous vote of the members of the City's finance committee.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

N. Net Position and Fund Balance (continued)

- Unassigned – The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports an unassigned fund balance amount.

When the City incurs expenditures that can be made from either restricted or unrestricted balances the expenditures are charged first to restricted balances, and then to unrestricted balances as they are needed. When the City incurs expenditures that can be made from either committed, assigned, or unassigned balances the expenditures are charged to committed resources first, then to assigned resources and then to unassigned resources as they are needed.

The City has established a goal to achieve and maintain a minimum unassigned fund balance in the general fund to ensure that there will be adequate liquid resources in the even of unanticipated circumstances and events. The minimum unassigned fund balance target is set at 20% of budgeted revenues for the most recent fiscal year, which would provide for roughly 75 days of estimated expenditures.

O. 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 and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in that category:

- Deferred charges on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is amortized over the life of the debt.
- Deferred outflow related to pensions, which result from pension contributions after the measurement date (deferred and recognized in the following fiscal year) and differences in projected and actual earnings on pension liabilities. This amount is amortized over a five year period.

In addition to liabilities, the statement of net 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 and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting on the government-wide statement of net position.

- Deferred credit on refunding, which results from the difference in carrying value of refunded debt and its reacquisition price. This amount is amortized over the life of the debt.
- Deferred inflow related to pensions, which result from differences in projected and actual earnings on pension liabilities. This amount is amortized over a five year period.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

O. Deferred Outflows/Inflows of Resources (continued)

Additionally the City has one type of this 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 on in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

P. Pensions

For purposes of measuring the net pension liability, 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.

NOTE 2. STEWARDSHIP, COMPLIANCE AND RESPONSIBILITY:

Other Individual Fund Disclosures

None of the City's governmental funds had material amounts of excess of expenses/expenditures over appropriations (exclusive of depreciation) for the year ended September 30, 2016.

Management of the City is aware of the deficit in unrestricted and total net position of the Governmental Activities. The deficit is primarily a result of recognition of the City's net pension liability related to its participation in the Texas Municipal Retirement System. Management will continue to assess the deficit net position in the future.

NOTE 3. DEPOSITS AND INVESTMENTS:

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (continued):

Legal and Contractual Provisions Governing Deposits and Investments (continued)

Throughout the year, as permitted by State statute and the City Charter, required reserves and funds held pending expenditures were invested in either certificates of deposit or Federal Home Loan Bank Bonds. At September 30, 2016 all of the City's investments, as shown below, are reflected at cost, which approximates fair value.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, and to meet the reporting requirements of the Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, the City has disclosed the following information:

Interest rate risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has adopted the following in response to interest rate risk:

- Structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell investments on the open market prior to maturity.
- Investing operating funds primarily in shorter-term investments.

Credit risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has adopted the following in response to mitigate its credit risk:

Limiting investments to the safest types of investments. The City's investment policy allows the following types of investments:

- U.S. Government obligations, U.S. Government agency obligations, and U.S. Government instrumentality obligations.
- Certificates of deposit.
- Savings and Loan Association deposits.
- Investment-grade obligations of State, Provincial, and Local Governments and Public Authorities.
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of domestic securities.
- Statewide investment pools.

Concentration of credit risk - This is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City has adopted the following in response to its concentration of credit risk:

- Investment will be diversified by security type and institution, unless the investment is fully collateralized.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (continued):

Policies Governing Deposits and Investments (continued)

- To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than 5 years from the date of purchase. The maximum average weighted maturity of the composite portfolio shall not exceed one year.
- Reserve funds may be invested in investments exceeding 5 years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds.

Custodial credit risk - deposits - This is the risk that in the event of a bank failure, the City's deposits may not be returned to the City. The City has a policy of requiring that all deposits are collateralized by either the Federal Deposit Insurance Corporation (the "FDIC") or by pledged securities that are in the name of the City.

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 is in the possession of an outside party. The City has adopted the following policies to address this risk:

- Financial institutions must be approved by the City to sell investments to the City. The City has requirements that address minimum capital requirements as well as a minimum number of years the institution must have been in operation.
- Financial institutions who desire to become a qualified bidder for the City must supply information to the City as required in the City's investment policies.
- An annual review of all qualified bidders must be conducted by the Director of Finance of the City.
- All trades of investments, where applicable, will be executed by delivery vs. payment, which will help to ensure that securities are deposited in the eligible financial institution prior to the release of funds.
- Investments will be held by a third party custodian as evidence by safekeeping receipts.

Foreign currency risk - This is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The City is not exposed to foreign currency risk, as the City's investment policy prohibits the investment in foreign investments.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (continued):

Investments Held

At September 30, 2016, the carrying amounts of the City's investments are shown below. The City did not invest in any other types of investments other than those shown below for the year ended September 30, 2016. The City's policy is to hold bonds to maturity or until called, and bonds are not held for sale.

<u>Primary Government</u>	<u>Credit Rating</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Federal Home Loan Bank Bonds Matures June 20, 2018	Moody's: Aaa S&P: AA+	\$ 130,000	\$ 130,350

NOTE 4. RECEIVABLES:

Receivables as of year end for the City's general, non-major governmental, and enterprise funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service</u>	<u>Enterprise Funds</u>	<u>M.K. Brown Permanent Fund</u>	<u>Total</u>
Receivables:						
Property taxes	\$ 204,964	\$ 12,260	\$ 45,152	\$ -	\$ -	\$ 262,376
Other taxes	813,888	31,639	-	-	-	845,527
Accounts	351,599	-	-	1,126,419	-	1,478,018
Grants from federal, state, and local sources	50,481	-	-	2	-	50,483
Interest	-	-	-	-	350	350
CRMWA	-	-	-	378,740	-	378,740
Total receivables	1,420,932	43,899	45,152	1,505,161	350	3,015,494
Less allowance for uncollectibles	140,543	7,563	26,810	24,593	-	199,509
Total net receivables	\$ 1,280,389	\$ 36,336	\$ 18,342	\$ 1,480,568	\$ 350	\$ 2,815,985

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 4. RECEIVABLES (continued):

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are levied on October 1 and become delinquent after January 31. The taxes accrue interest beginning February 1. Current year property taxes are collected from the levy date October 1 through June 30, at which time the taxes are classified as delinquent and assessed penalties beginning July 1. The delinquent taxes receivable account represents past years uncollected tax levies. The allowance for estimated uncollectible amounts is 63.15% of the total delinquent taxes receivable at September 30, 2016. The City contracts with Gray County to perform the collection of its property taxes. The City's cost of this contract is accounted for in the general fund as a contractual service.

According to Article V, Section I of the City Charter, the maximum tax levy is \$2.50 per \$100 of assessed valuation; any in excess of \$1.50 is limited to debt service. The combined tax rate of the 2015 tax roll for the 2015-2016 fiscal year was \$.657175 per \$100 of assessed valuation, of which \$.520833 was designated to finance general governmental services, \$.106342 was designated for debt service and \$.03 was for the maintenance and support of the Lovett Memorial Library. The resulting tax levy was \$4,139,030 on an assessed value of \$629,831,477 (after exemptions and adjustments).

NOTE 5. RESTRICTED ASSETS:

The City had the following restricted assets as of September 30, 2016:

	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Water and Sewer System</u>	<u>Solid Waste Management</u>	<u>Non-major Enterprise Funds</u>	<u>Total</u>
Restricted cash:						
Construction and capital acquisition	\$ -	\$ -	\$ 69,058	\$ 59,130	\$ -	\$ 128,188
Municipal court security & technology	97,270	-	-	-	-	97,270
Public programming facilities	75,611	-	-	-	-	75,611
Park maintenance	42,854	-	-	-	-	42,854
Fire department	9,106	-	-	-	-	9,106
Equipment purchase	77,468	-	-	-	-	77,468
M.K. Brown Auditorium	-	223,429	-	-	-	223,429
Revenue bond debt service	-	-	1,490,491	1,121,749	5,333	2,617,573
Water and sewer utility deposits	-	-	292,609	-	-	292,609
Demolition and cleanup	-	-	-	7,228	-	7,228
Total restricted cash	<u>\$ 302,309</u>	<u>\$ 223,429</u>	<u>\$ 1,852,158</u>	<u>\$ 1,188,107</u>	<u>\$ 5,333</u>	<u>\$ 3,571,336</u>
Restricted accrued interest receivable:						
M.K. Brown Auditorium	<u>\$ -</u>	<u>\$ 350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 350</u>
Restricted investments:						
M.K. Brown Auditorium	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,000</u>
Restricted receivable:						
CRMWA debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 378,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 378,740</u>
Restricted other assets:						
CRMWA other asset	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,476</u>

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 6. CAPITAL ASSETS:

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

Primary Government:

Governmental activities:	Balance Oct. 1, 2015	Additions	Sales, Retirements, and Transfers	Balance Sept. 30, 2016
Capital assets, not being depreciated				
Land	\$ 210,849	\$ -	\$ (162,020)	\$ 48,829
Collection	203,500	-	-	203,500
Construction in progress	2,281	-	(2,281)	-
Total capital assets, not being depreciated	<u>416,630</u>	<u>-</u>	<u>(164,301)</u>	<u>252,329</u>
Capital assets being depreciated:				
Roads	18,809,864	-	-	18,809,864
Buildings and improvements	12,975,799	69,599	(425,149)	12,620,249
Vehicles and equipment	12,470,886	618,624	(533,209)	12,556,301
Total capital assets, being depreciated	<u>44,256,549</u>	<u>688,223</u>	<u>(958,358)</u>	<u>43,986,414</u>
Less accumulated depreciation for:				
Roads	18,495,394	182,655	-	18,678,049
Buildings and improvements	6,772,077	345,313	(187,166)	6,930,224
Vehicles and equipment	9,318,277	874,205	(533,208)	9,659,274
Total accumulated depreciation	<u>34,585,748</u>	<u>1,402,173</u>	<u>(720,374)</u>	<u>35,267,547</u>
Total capital assets, being depreciated, net	<u>9,670,801</u>	<u>(713,950)</u>	<u>(237,984)</u>	<u>8,718,867</u>
Total Governmental Activities capital assets, net	<u>\$ 10,087,431</u>	<u>\$ (713,950)</u>	<u>\$ (402,285)</u>	<u>\$ 8,971,196</u>

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 6. CAPITAL ASSETS (continued):

Business-type activities:	Balance		Sales,		Balance
	Oct. 1, 2015	Additions	Retirements,	Adjustments	Sept. 30, 2016
			& Transfers		
Capital assets, not being depreciated					
Land	\$ 788,941	\$ -	\$ -	\$ -	\$ 788,941
Construction in progress	192,197	294,344	(40,493)	-	446,048
Total capital assets, not being depreciated	<u>981,138</u>	<u>294,344</u>	<u>(40,493)</u>	<u>-</u>	<u>1,234,989</u>
Capital assets being depreciated:					
Roads	215,295	-	-	-	215,295
Buildings and improvements	43,614,868	402,856	-	-	44,017,724
Vehicles and equipment	7,635,022	484,453	(375,328)	-	7,744,147
Water rights	7,588,780	-	-	-	7,588,780
Surface water supply contracts	5,419,278	-	-	-	5,419,278
Total capital assets, being depreciated	<u>64,473,243</u>	<u>887,309</u>	<u>(375,328)</u>	<u>-</u>	<u>64,985,224</u>
Less accumulated depreciation for:					
Roads	215,295	-	-	-	215,295
Buildings and improvements	25,857,401	1,339,440	-	-	27,196,841
Vehicles and equipment	6,071,691	523,936	(375,328)	-	6,220,299
Water rights	1,100,080	151,775	-	-	1,251,855
Surface water supply contracts	2,996,538	63,756	-	-	3,060,294
Total accumulated depreciation	<u>36,241,005</u>	<u>2,078,907</u>	<u>(375,328)</u>	<u>-</u>	<u>37,944,584</u>
Total capital assets, being depreciated, net	<u>28,232,238</u>	<u>(1,191,598)</u>	<u>-</u>	<u>-</u>	<u>27,040,640</u>
Total Business-type Activities capital assets, net	<u>\$ 29,213,376</u>	<u>\$ (897,254)</u>	<u>\$ (40,493)</u>	<u>\$ -</u>	<u>\$ 28,275,629</u>

Construction in progress in the business-type activities consists of costs incurred related to replacement of an aerial pipeline crossing and costs related to improvements at the water and waste water treatment plants, that were not complete as of September 30, 2016. See further discussion related to the projects at Note 11.

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

NOTE 6. CAPITAL ASSETS (continued):

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

Governmental activities:	
General government	\$ 261,459
Public safety	294,773
Streets and traffic	343,705
Solid waste management	180,282
Culture and recreation	<u>321,954</u>
 Total depreciation expense - Governmental Activities	 \$ <u><u>1,402,173</u></u>
 Business-type activities:	
Water and sewer	\$ 1,333,574
Solid waste management	452,446
Aquatics center	156,245
Municipal golf course	121,742
Leased properties	<u>14,900</u>
 Total depreciation expense - Business-type Activities	 \$ <u><u>2,078,907</u></u>

NOTE 7. LEASE OBLIGATIONS:

Capital Leases

The City has leased certain equipment under non-cancellable capital leases. The following summarizes the City's obligations under capital leases:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Municipal Golf Course</u>
2017	\$ 46,572	\$ 46,693
2018	46,572	32,293
2019	-	32,293
2020	-	32,293
2021	<u>-</u>	<u>1</u>
Total	93,144	143,573
Less: Amount representing interest at 3.16% to 5.07%	<u>1,930</u>	<u>9,180</u>
Present Value of Lease Payments	<u><u>\$ 91,214</u></u>	<u><u>\$ 134,393</u></u>

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 7. LEASE OBLIGATIONS (continued):

Capital Leases (continued)

The following summarizes the assets acquired under capital leases:

	Governmental Activities	Municipal Golf Course
Cost of equipment	\$ 177,782	\$ 276,563
Accumulated depreciation	81,483	160,908
Net leased equipment	\$ 96,299	\$ 115,655

Operating Leases

The City is obligated under certain leases for vehicles and office equipment which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the assets being leased under the lease agreements are not reflected in the City's capital assets. The future minimum lease payments under non-cancelable operating leases for the City are:

Year Ending September 30,	General Fund	Other Governmental Funds	Water and Sewer System	Solid Waste Management
2017	\$ 86,247	\$ 1,099	\$ 13,240	\$ 7,016
2018	71,048	275	12,591	6,367
2019	65,981	-	12,375	6,151
2020	65,981	-	12,375	6,151
2021	33,749	-	6,741	3,076
	\$ 323,006	\$ 1,374	\$ 57,322	\$ 28,761

For the year ended September 30, 2016, rental expenditures under all operating leases for the General Fund and Other Governmental Funds have been recorded in the Statement of Revenues, Expenditures and Changes in Fund Balances in the amount of \$54,692 and \$1,490, respectively. Rental expenses under all operating leases for the Water and Sewer System Fund and the Solid Waste Management Fund have been recorded in the Statement of Revenues, Expenses and Changes in Net Position in the amount of \$6,959 and \$3,261, respectively.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 8. LONG-TERM DEBT:

General Obligation Bonds, Certificates of Obligation, and Revenue Bonds:

General Obligation Bonds and Certificates of Obligation are direct obligations and pledged by the full faith and credit of the City, and the principal thereof and interest thereon are typically payable from the proceeds of a continuing, direct annual ad valorem tax levied upon all taxable property within the City. Revenue Bonds also constitute direct obligations of the City, and are typically payable from an annual ad valorem tax levied against all taxable property in the City, and are secured by lien on and pledge of the surplus net revenues derived from the operation and ownership of the City's Waterworks and Sewer System or are secured by lien on and pledge of the surplus net revenues derived from the operation and ownership of the City's Solid Waste Collection and Disposal System, both of which are after payment of operation and maintenance expenses of these systems.

In October 2005, the City issued \$2,180,000 of Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2005, (the "2005 Obligations"), that were used for improvements and renovations to the City's Waterworks and Sewer System, to purchase machinery and equipment for the water and sewer, street and public safety departments, and to add improvements to the M.K. Brown auditorium. Proceeds from the 2005 Obligations were allocated between the General Fund, the M.K. Brown Special Revenue Fund and the Water and Sewer Fund in the amounts of \$150,000, \$300,000 and \$1,730,000 respectively. The outstanding balance of the 2005 Obligations were paid off during fiscal year ending September 30, 2016.

In March 2008, the City issued \$2,100,000 of Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2008, (the "2008 Obligations"), that were used for the construction of public works, improvements and renovations to the City's waterworks and sewer system, street improvements, park improvements, golf course improvements, and constructing and equipping police facilities, including a crime scene building. Proceeds from the 2008 Obligations were allocated between the General Fund, the Water and Sewer Fund, and the Golf Course Fund in the amounts of \$412,000, \$1,628,000 and \$60,000 respectively. The outstanding balance of the 2008 Obligations as of September 30, 2016 was \$1,780,000.

In March 2009, the City issued \$9,100,000 of Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2009, (the "2009 Obligations"), that were used for the construction of public works, improvements and renovations to the City's waterworks and sewer system, parks and recreation improvements including the construction of the Aquatics Center, excavation and lining of a cell for the City's landfill; and costs of issuance and professional services rendered in relation to such projects. Proceeds from the 2009 Obligations were allocated between the General Fund, the Water and Sewer Fund, the Solid Waste Management Fund, and the Aquatics Center Fund in the amounts of \$250,000, \$2,518,000, \$3,242,000 and \$3,090,000 respectively. The remaining unpaid balance of 2009 Obligations allocated to the Aquatics Center Fund was transferred to the General Fund as of September 30, 2015. The outstanding balance of the 2009 Obligations as of September 30, 2016 was \$8,480,000.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 8. LONG-TERM DEBT (continued):

General Obligation Bonds, Certificates of Obligation, and Revenue Bonds (continued):

In August 2012, the City issued \$2,970,000 in General Obligation Bonds, Series 2012 (the “2012 Obligations”) that were used for the construction of an animal shelter. Interest on the bonds ranges from 2.00% to 3.50% and the bonds have maturities through 2032. All of the proceeds from the 2012 obligations were allocated to the City’s General Fund. The outstanding balance of the 2012 Obligations as of September 30, 2016 was \$2,560,000.

In April 2015, the City issued \$1,960,000 of General Obligation Refunding Bonds, Series 2015 (the “2015 Refunding Bonds”). Proceeds from the sale of the 2015 Refunding Bonds were used to redeem a portion of the City’s remaining outstanding Tax and Waterworks and Sewer System Surplus Revenue Refunding Bonds, Series 2005, and pay costs of issuance of the bonds. Interest on the 2015 Refunding Bonds is 1.18% and has maturities through 2020. The refunding resulted in a reduction of the total debt service requirements of the City by approximately \$117,065. The reacquisition price on the bonds refunded was \$1,946,350, and the net carrying value was \$1,785,472, resulting in a net deferred charge on refunding of \$160,878, which is being amortized by the City using the effective interest method. The outstanding balance of the 2015 Refunding Bonds as of September 30, 2016 was \$1,565,000.

Governmental Activities general obligation bonds and certificates of obligation outstanding at year end that are currently being serviced with tax revenues are as follows:

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
2008 certificates of obligation, callable at par beginning June 1, 2018	3.50% - 4.50%	2021	349,216
2009 certificates of obligation, callable at par beginning June 1, 2019, capital appreciation certificates are not subject to redemption prior to maturity	2.25% - 4.625%	2028	3,112,440
2012 certificates of obligation, callable at par beginning June 1, 2023	2.00% - 3.50%	2032	2,560,000
2015 general obligation refunding bonds, not subject to redemption prior to maturity	1.18%	2020	1,360,950
			\$ <u><u>7,382,606</u></u>

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 8. LONG-TERM DEBT (continued):

General Obligation Bonds, Certificates of Obligation, and Revenue Bonds (continued):

Interest is payable semi-annually at various dates for the respective bond issuances. The City is required by the bond covenants to maintain a sinking fund sufficient to pay each annual installment of principal as it becomes due together with the current interest thereon. Annual debt service requirements to maturity for Governmental Activities general obligation debt are as follows:

Fiscal year ending September 30,	Principal	Interest	Total
2017	\$ 407,846	\$ 329,029	\$ 736,875
2018	451,042	328,766	779,808
2019	552,578	228,507	781,085
2020	559,192	217,543	776,735
2021	373,189	206,314	579,503
2022-2026	2,823,385	759,267	3,582,652
2027-2031	1,975,374	198,244	2,173,618
2032	240,000	7,200	247,200
	<u>\$ 7,382,606</u>	<u>\$ 2,274,870</u>	<u>\$ 9,657,476</u>

Business-type Activities revenue bonds and certificates of obligation outstanding at year end that are currently being serviced with surplus net revenues from the City's Waterworks and Sewer System, the City's Solid Waste Collection and Disposition System, or the City's Municipal Golf Course are as follows:

	Interest Rates	Maturity Date	Amount Outstanding
2008 certificates of obligation, callable at par beginning June 1, 2018	3.50% - 4.50%	2021	1,430,784
2009 certificates of obligation, callable at par beginning June 1, 2019, capital appreciation certificates are not subject to redemption prior to maturity	2.25% - 4.625%	2028	5,367,560
2015 general obligation refunding bonds, not subject to redemption prior to maturity	1.18%	2020	204,050
			<u>\$ 7,002,394</u>

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 8. LONG-TERM DEBT (continued):

General Obligation Bonds, Certificates of Obligation, and Revenue Bonds (continued):

Interest is payable semi-annually at various dates for the respective issues. The Business-Type Activities revenue bonds and certificate of obligations are currently being serviced by net surplus revenues and annual debt service requirements to maturity are as follows:

Fiscal year ending	Principal	Interest	Total
September 30,			
2017	\$ 427,154	\$ 460,463	\$ 887,617
2018	223,958	441,633	665,591
2019	397,422	271,771	669,193
2020	415,808	255,874	671,682
2021	771,811	239,242	1,011,053
2022-2026	3,256,615	783,708	4,040,323
2027-2028	1,509,626	105,351	1,614,977
	<u>\$ 7,002,394</u>	<u>\$ 2,558,042</u>	<u>\$ 9,560,436</u>

Canadian River Municipal Water Authority Obligations:

Dam and Aqueduct System Obligation. The City entered into a contract with CRMWA to reimburse it for a portion of the cost of the Canadian River Dam and Aqueduct System, completed in 1968, in exchange for surface water rights. The City's allocation of the project cost was \$5,419,278 plus interest at 2.632% per annum, which was being paid over a period of 50 years that began in 1969. On October 29, 1999, CRMWA was allowed to prepay its debt to the United States Bureau of Reclamation at a reduced amount by an act of Congress. This resulted in a reduction of the City's debt to CRMWA of \$1,461,084 which was recorded as contributed capital in previous years in the water and sewer fund. The terms of the contract specify that these payments are to be made solely out of the water system revenues and are not a general obligation of the City. For further explanation of this relationship, see Note 12. During 2010, CRMWA issued Canadian River Municipal Water Authority Contract Revenue Refunding Bonds, Series 2010 (Bureau of Reclamation Prepayment Project) to refund the remaining balance of the 1999 issuance, as further discussed later in Note 8.

Conjunctive Use Groundwater Project Obligation. The City entered into a contract with CRMWA to reimburse it for a portion of the cost of acquiring water rights on 42,765 acres of land in Hutchinson and Roberts counties in the Texas Panhandle, developing a well field of 29 wells to produce underground water from these water rights, and constructing an aqueduct from these wells to the existing aqueduct. This project will allow for the blending of underground water with Lake Meredith water to produce a higher quality water supply.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 8. LONG-TERM DEBT (continued):

Canadian River Municipal Water Authority Obligations (continued):

During the year ended September 30, 2006, CRMWA issued new debt, the Canadian River Municipal Water Authority Contract Revenue Bonds, Series 2006 (the “2006 Revenue Bonds”) for the purpose of acquiring additional water rights for its member cities. Each of the member cities has a proportional interest in the debt, with the City’s portion of the debt issuance being \$1,804,488, which is 3.677% of the total. The bonds were issued at a premium, with the City’s portion being \$68,316, which are being amortized by the City over the life of the bonds using the effective interest method. During the year ended September 30, 2015 a portion of the outstanding balance of the 2006 Revenue Bonds was refunded by the Series 2014 Refunding Bonds discussed below. The balance of the 2006 Revenue Bonds as of September 30, 2016 was paid off.

During the year ended September 30, 2010, CRMWA issued \$21,105,000 in Canadian River Municipal Water Authority Contract Revenue Bonds, Series 2009 Conjunctive Use Groundwater Supply Project, (the “2009 Conjunctive Use Obligations”). Proceeds from the sale of the 2009 Conjunctive Use Obligations will be used (1) to pay acquisition costs for Project Expansion of the Conjunctive Use Groundwater Supply Project; (2) to fund a Reserve Fund; and (3) to pay professional fees; and (4) to pay costs of issuance of the 2009 Conjunctive Use Obligations. Interest on the 2009 Conjunctive Use Obligations will be from 3.0% to 5.0%, with maturities ranging from 2011 to 2029. CRMWA expects to finance the debt service requirements of the 2009 Conjunctive Use Obligations from each of the member cities of CRMWA, which includes the City of Pampa. The City’s share of the 2009 Conjunctive Use Obligations is 3.60%, or approximately \$759,780. The balance of the 2009 Revenue Bonds as of September 30, 2016 was \$589,320.

During the year ended September 30, 2010, CRMWA issued \$5,235,000 in Canadian River Municipal Water Authority Contract Revenue Refunding Bonds, Series 2010 Conjunctive Use Groundwater Supply Project, (the “2010 Conjunctive Use Obligations”). Proceeds from the sale of the 2010 Conjunctive Use Obligations will be used (1) to refund a portion of CRMWA’s Contract Revenue and Refunding Bonds, Series 1999 Conjunctive Use Groundwater Supply Project Refunding Bonds; (2) to fund a Reserve Fund; and (3) to pay costs of issuance of the 2010 Conjunctive Use Obligations. Interest on the 2010 Conjunctive Use Obligations will be from 3.0% to 3.5%, with maturities ranging from 2011 to 2020. CRMWA expects to finance the debt service requirements of the 2010 Conjunctive Use Obligations from each of the member cities of CRMWA, which includes the City of Pampa. The City’s share of the 2010 Conjunctive Use Obligations is 4.455%, or approximately \$233,219. The balance of the 2010 Refunding Conjunctive Use Obligations Refunding Bonds as of September 30, 2016 was \$99,792.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 8. LONG-TERM DEBT (continued):

Canadian River Municipal Water Authority Obligations (continued):

During the year ended September 30, 2010, CRMWA issued \$10,520,000 in Canadian River Municipal Water Authority Contract Revenue Refunding Bonds, Series 2010 Bureau of Reclamation Prepayment Project, (the “2010 Reclamation Obligations”). Proceeds from the sale of the 2010 Reclamation Obligations will be used (1) to refund all of CRMWA’s Contract Revenue and Refunding Bonds, Series 1999 Reclamation Prepayment Project Refunding Bonds; (2) to fund a Reserve Fund; and (3) to pay professional fees; and (4) to pay costs of issuance of the 2010 Reclamation Obligations. Interest on the 2010 Reclamation Obligations will be from 2.0% to 3.5%, with maturities ranging from 2010 to 2018. CRMWA expects to finance the debt service requirements of the 2010 Reclamation Obligations from each of the member cities of CRMWA, which includes the City of Pampa. The City’s share of the 2010 Reclamation Obligations is 11.021%, or approximately \$1,159,409. The balance of the 2010 Reclamation Obligations Refunding Bonds as of September 30, 2016 was \$367,550.

During December 2011, CRMWA issued \$81,630,000 in Canadian River Municipal Water Authority Subordinate Line Contract Revenue Bonds, Series 2011, (the “2011 Conjunctive Use Ground Water Supply Project Bonds”). Proceeds from the sale of the 2011 Conjunctive Use Ground Water Supply Project Bonds will be used (1) to pay acquisition costs for a Project Expansion consisting of additional Water Rights for the Conjunctive Use Groundwater Supply Project, (2) to pay professional fees, and (3) to pay costs of issuance of the bonds. Interest on the 2011 Conjunctive Use Ground Water Supply Project Bonds will be from 3.0% to 5.0%, with maturities ranging from 2013 to 2031. CRMWA expects to finance the debt service requirements of the 2011 Conjunctive Use Ground Water Supply Project Bonds from each of the member cities of CRMWA, which includes the City of Pampa. The City’s share of the 2011 Conjunctive Use Ground Water Supply Project Bonds is 3.641%, or approximately \$2,972,148. The balance of the 2011 Conjunctive Use Ground Water Supply Project Bonds as of September 30, 2016 was \$2,545,969.

In December 2012, CRMWA issued \$39,505,000 in Canadian River Municipal Water Authority Subordinate Lien Contract Revenue Refunding Bonds, Series 2012, (the “2012 CRMWA Refunding Bonds”). Proceeds from the sale of the 2012 CRMWA Refunding Bonds were used to 1) advance refund \$41,575,000 of the CRMWA Series 2005 Revenue Bonds, and 2) pay costs of issuance of the bonds. The net proceeds of the bonds issued were deposited into an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the CRMWA Series 2005 Revenue Bonds are considered defeased. Interest on the 2012 CRMWA Refunding Bonds will be from 2.0% to 5.0%, with maturities ranging from 2013 to 2025. The City’s share of the 2012 CRMWA Refunding Bonds is 5.72%, or approximately \$1,632,202, and the refunding will result in a reduction of the total debt service requirements of the City by approximately \$184,178. The reacquisition price of the City’s portion of the CRMWA Series 2005 Revenue Bonds was \$1,939,571, and the net carrying value was \$1,792,195, resulting in a deferred loss on refunding of \$147,376, which is being amortized by the City using the effective interest method. The balance of the 2012 CRMWA Refunding Bonds as of September 30, 2016 was \$1,547,711.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 8. LONG-TERM DEBT (continued):

Canadian River Municipal Water Authority Obligations (continued):

In December 2014, CRMWA issued \$42,165,000 in Canadian River Municipal Water Authority Subordinate Lien Contract Revenue Refunding Bonds, Series 2014 (the “2014 CRMWA Refunding Bonds”). Proceeds from the sale of the 2014 CRMWA Refunding Bonds will be used to 1) advance refund \$32,670,000 of the CRMWA Series 2006 Bonds and current refund \$12,605,000 of the CRMWA Series 2005 Refunding Bonds, and 2) pay costs of the issuance of the bonds. The net proceeds of the bonds issued were deposited into an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the CRMWA Series 2005 Revenue Bonds are considered defeased. Interest on the 2014 CRMWA Refunding Bonds will be from 2.0% to 5.0%, with maturities ranging from 2015 to 2027. The City’s share of the 2014 CRMWA Refunding Bonds of \$1,618,403 is approximately 3.838%, and will result in a reduction of the total debt service requirements of the City by approximately \$84,516. The reacquisition price on the City’s portion of the bonds refunded was \$1,836,988, and the net carrying value was \$1,782,347, resulting in a deferred charge on refunding of \$54,641. The balance of the 2014 CRMWA Refunding Bonds as of September 30, 2016 was \$1,495,658.

The following is a summary of the Business-type Activities CRMWA long term debt maturities:

Fiscal year ending	Principal	Interest	Total
September 30,			
2017	\$ 511,419	\$ 301,390	\$ 812,809
2018	647,209	281,561	928,770
2019	422,159	253,870	676,029
2020	466,100	233,000	699,100
2021	521,042	209,339	730,381
2022-2026	2,704,322	632,624	3,336,946
2027-2031	1,373,749	141,783	1,515,532
	<u>\$ 6,646,000</u>	<u>\$ 2,053,567</u>	<u>\$ 8,699,567</u>

As discussed above, as CRMWA issues Revenue Bonds in its name for the various stages of the project each member city will be obligated to CRMWA for their portion of the bond. This obligation will be payable over a 20 year life plus interest. It is estimated that no additional costs are due from the City as of September 30, 2016.

Accreted Interest on Capital Appreciation Certificates:

The City’s 2009 Obligations included capital appreciation certificates when issued. The original principal amount of these obligations was \$65,000, and the amount due at maturity is \$575,000. \$290,000 of the capital appreciation certificates mature during the fiscal year ended September 30, 2017, and \$285,000 mature during the fiscal year ended September 30, 2018. Interest is being accreted annually on these obligations, and is included in non-current liabilities on the City’s financial statements. As of September 30, 2016 the accumulated accreted interest on the capital appreciation certificates that is included in non-current liabilities on the City’s governmental and business-type activities was \$134,738 and \$232,363, respectively.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 8. LONG-TERM DEBT (continued):

Long-term liability activity for the year ended September 30, 2016 was as follows:

Governmental activities:	Balance October 1, 2015	Additions	Reductions	Balance September 30, 2016	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 7,803,778	\$ -	\$ 421,172	\$ 7,382,606	\$ 407,846
Accreted interest on capital appreciation certificates	99,788	34,950	-	134,738	93,593
Add: Unamortized bond premiums	154,536	-	14,821	139,715	-
Capital leases	134,707	-	43,493	91,214	44,888
Compensated absences	<u>541,145</u>	<u>603,236</u>	<u>541,145</u>	<u>603,236</u>	<u>54,260</u>
Total Governmental Activities long-term liabilities	<u>\$ 8,733,954</u>	<u>\$ 638,186</u>	<u>\$ 1,020,631</u>	<u>\$ 8,351,509</u>	<u>\$ 600,587</u>
Deferred credit (charge) on refunding	<u>\$ (138,946)</u>	<u>\$ -</u>	<u>\$ (31,826)</u>	<u>\$ (107,120)</u>	<u>\$ -</u>
Business-type activities:	Balance October 1, 2015	Additions	Reductions	Balance September 30, 2016	Due Within One Year
Bonds payable:					
Revenue bonds and Certificates of obligation	\$ 7,941,226	\$ -	\$ 938,832	\$ 7,002,394	\$ 427,154
Accreted interest on capital appreciation certificates	172,085	60,278	-	232,363	161,406
CRMWA obligations	7,122,720	23,395	500,115	6,646,000	511,419
Add: Unamortized bond premiums	<u>757,852</u>	<u>-</u>	<u>115,428</u>	<u>642,424</u>	<u>-</u>
Total bonds payable	15,993,883	83,673	1,554,375	14,523,181	1,099,979
Landfill closure liability	1,520,858	76,931	-	1,597,789	-
Capital leases	84,937	120,140	70,685	134,392	44,055
Compensated absences	<u>94,045</u>	<u>73,591</u>	<u>94,045</u>	<u>73,591</u>	<u>55,193</u>
Total Business-type Activities long-term liabilities	<u>\$ 17,693,723</u>	<u>\$ 354,335</u>	<u>\$ 1,719,105</u>	<u>\$ 16,328,953</u>	<u>\$ 1,199,227</u>
Deferred credit (charge) on refunding	<u>\$ (171,992)</u>	<u>\$ -</u>	<u>\$ (32,217)</u>	<u>\$ (139,775)</u>	<u>\$ -</u>

In prior years, compensated absences have been typically liquidated by the General Fund for governmental activities and by the Proprietary Fund in which the liability has been incurred for all business-type activities. The City does not anticipate any changes in the future for liquidation of these types of liabilities from how they have been liquidated in the past.

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

NOTE 8. LONG-TERM DEBT (continued):

Current year interest expense and capitalized bond interest was recorded as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accrued interest payable at October 1, 2015	\$ (106,278)	(150,012)
Interest and fees paid during the year	255,710	668,955
Amortization of bond premium and deferred charge on refunding	17,005	(83,213)
Accretion of interest on capital appreciation certificates	34,950	60,273
Accrued interest payable at September 30, 2016	67,266	138,802
Capitalization of interest	-	11,399
Interest expense	\$ <u>268,653</u>	\$ <u>646,204</u>

NOTE 9. NET INVESTMENT IN CAPITAL ASSETS:

In a previous year, the remaining unpaid balance of the Tax and Waterworks and Sewer System Surplus Certificates of Obligation, Series 2009 (the "2009 Obligations") previously reported in the business-type activities and carried in the Aquatics Center Fund was transferred to the governmental activities of the City and is being repaid through debt service taxes. Subsequent to the transfer of the debt, the capital asset constructed using the debt proceeds is reported in the business-type activities column, while the borrowing is now reflected in the governmental activities column on the Statement of Net Position. Therefore, the remaining outstanding debt balance of the 2009 Obligations as of September 30, 2016 of \$3,047,088 is excluded when calculating the net investment in capital assets for the governmental activities, but is included in this calculation for the total primary government. The effect of this reporting is that the net investment in capital assets and unrestricted net position (deficit) totals reported in the primary government do not agree to the sum of these categories reported in the governmental activities and business-type activities columns.

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

NOTE 10. INTER-FUND TRANSFERS:

The composition of interfund balances as of September 30, 2016, is as follows:

<u>Receivable Fund</u>	<u>General Fund</u>	<u>Payable Fund Nonmajor Enterprise Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 41,303	\$ 41,303
Nonmajor Governmental Funds	\$ 1,746	-	\$ 1,746
	<u>\$ 1,746</u>	<u>\$ 41,303</u>	<u>\$ 43,049</u>

Outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Inter-fund transfers of cash occurred during the year as follows:

<u>Transfers out</u>	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Transfers In Aquatics Center</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
General fund	\$ -	\$ 195,000	\$ -	\$ 141,000	\$ 336,000
Nonmajor governmental funds	101,848	4,000	25,000	-	130,848
Water and Sewer Fund	52,710	-	-	-	52,710
Nonmajor enterprise funds	40,000	-	-	-	40,000
Total	<u>\$ 194,558</u>	<u>\$ 199,000</u>	<u>\$ 25,000</u>	<u>\$ 141,000</u>	<u>\$ 559,558</u>

Inter-fund transfers were done in order to supplement the operations of the General Fund, M.K. Brown Auditorium, the Lovett Memorial Library, the Aquatics Center, and the Municipal Golf Course.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 11. COMMITMENTS:

In July 2015, the City entered into a contract for engineering services related to improvements to the water treatment and wastewater treatment plant. The project began in July 2015 and has an estimated engineering cost of \$488,171. During the current year, the City entered into contracts for equipment costs totaling \$1,020,614. The total expected cost of the project is approximately \$4,050,000. As of September 30, 2016, \$340,785 in engineering costs, \$74,900 in equipment costs, and \$10,446 in capitalized interest costs were recorded as construction in progress related to the project. Subsequent to September 30, 2016, \$3,712 in additional engineering costs and \$945,714 in additional equipment costs have been paid, and \$143,674 of the engineering costs related to the project remains unpaid. The project is expected to be completed in September, 2019.

In August 2016, the City began construction on an aerial pipeline crossing. The total estimated cost of the construction project is \$100,000 to \$150,000. As of September 30, 2016, \$19,917 in construction and capitalized interest costs were recorded as construction in progress related to the project. The City is currently in the bid process related to labor for completion of the project. Subsequent to September 30, 2016, no additional costs have been paid related to the project. The project is expected to be completed in August, 2017.

NOTE 12. SURFACE WATER SUPPLY CONTRACT:

The City's water is supplied by a series of underground wells and surface water purchased from CRMWA. As discussed in Note 1, CRMWA is a water district created in 1953 by the State of Texas to construct and operate a dam, water reservoir, and aqueduct system to supply water to surrounding municipalities. Prior to construction, the municipalities contracted to purchase surface water and were allotted a portion of the water rights and construction costs. The debt related to these rights is owed to the U.S. Bureau of Reclamation and the City's share is reported as long-term debt within the Water and Sewer System enterprise fund. According to the terms of the contract, payments are to be made solely out of water system revenues and are not a general obligation of the City. The City's rights under this arrangement are recorded in the same fund as part of the utility plant and are being amortized over 85 years, which is the estimated useful life of the major facilities, including the water basin. The City sells part of its rights under the contract to other member cities, as allowed under the contract, and records the revenue in the water and sewer system fund.

NOTE 13. EMPLOYEE RETIREMENT SYSTEM:

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

**CITY OF PAMPA, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

NOTE 13. EMPLOYEE RETIREMENT SYSTEM (continued):

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

Benefits Provided

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

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

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and the City matching percent had always been in existence and if the employee's salary had always been the average of his/her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with five or more years of service or with twenty years of service. A member is vested after five years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	140
Inactive employees entitled to but not yet receiving benefits	96
Active employees	160
	396

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 13. EMPLOYEE RETIREMENT SYSTEM (continued):

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 were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 21.78% and 21.53% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$1,530,013, and were equal to the required contributions.

Net Pension Liability

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

Actuarial assumptions

The Total Pension Liability in the December 31, 2015 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 Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 13. EMPLOYEE RETIREMENT SYSTEM (continued):

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7.00% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without and adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

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

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 13. EMPLOYEE RETIREMENT SYSTEM (continued):

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.

Allocations

The City's net pension liability, pension expense, and deferred outflows of resources related to TMRS have been allocated between governmental activities and business-type activities using a contribution-based method.

Changes in the Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/14	\$ 41,030,335	\$ 28,913,913	\$ 12,116,422
Changes for the year:			
Service cost	1,097,354	-	1,097,354
Interest	2,828,538	-	2,828,538
Change in benefit terms	-	-	-
Diff between expected/actual experience	(91,604)	-	(91,604)
Changes of assumptions	194,442	-	194,442
Contributions - employer	-	1,557,370	(1,557,370)
Contributions - employee	-	506,360	(506,360)
Net investment income	-	42,664	(42,664)
Benefit payments, including refunds of employee contributions	(2,342,645)	(2,342,645)	-
Administrative expenses	-	(25,987)	25,987
Other charges	-	(1,284)	1,284
Net changes	<u>1,686,085</u>	<u>(263,522)</u>	<u>1,949,607</u>
Balance at 12/31/15	<u>\$ 42,716,420</u>	<u>\$ 28,650,391</u>	<u>\$ 14,066,029</u>

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

NOTE 13. EMPLOYEE RETIREMENT SYSTEM (continued):

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 19,785,441	\$ 14,066,029	\$ 9,350,500

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of \$1,921,759. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 1,052	\$ 63,122
Changes in actuarial assumptions	133,488	-
Differences between projected and actual investment earnings (net of current year amortization)	1,794,507	-
Contributions subsequent to the measurement date	1,104,347	-
Total	\$ 3,033,394	\$ 63,122

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

NOTE 13. EMPLOYEE RETIREMENT SYSTEM (continued):

\$1,104,347 is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>		
2017	\$	498,930
2018		498,526
2019		472,206
2020		396,263
Thereafter		-
	\$	<u><u>1,865,925</u></u>

NOTE 14. OTHER POSTEMPLOYMENT BENEFIT DISCLOSURES:

In addition to the pension benefits described in Note 13, during prior years the City provided post-employment health care benefits, in accordance with the City's Health Benefits Plan, to all employees who retired at age 55 or older with a minimum 15 years of service or to an employee who retired at any age and had a minimum of 25 years of service. As of September 30, 2016, the City had 12 retirees who previously met the eligibility requirements. The City discontinued the provision of this benefit in fiscal year 2000, and current employees of the City are not eligible to participate. The City is also required to provide health insurance coverage to employees who are separated from service (other than retirement) under the provisions of the Consolidated Omnibus Budget Reconciliation Act (COBRA). Under COBRA an employee has coverage on himself and dependents for up to eighteen months and dependents only that lose coverage due to separation of employee from service up to thirty-six months. Those employees who separate from the City while disabled, are covered for up to twenty-nine months under the COBRA provisions. As of September 30, 2016, no former employees were covered under the COBRA provisions.

The City finances the post-employment health care benefits on a pay-as-you-go basis. Participants who receive post-employment benefits are required to reimburse the City for the premiums for themselves and dependent coverage based on rates set by the City. To help ease the burden of providing these benefits to retirees, the City has adopted a policy where retirees eligible for Medicare are provided a Medicare supplement insurance policy in place of the previous coverage. The costs of these benefits for the fiscal year are:

	<u>Expenditures</u>	<u>Retiree Reimbursements</u>	<u>Net Cost to City</u>
Retirees	\$ <u>63,422</u>	\$ <u>46,075</u>	\$ <u>17,347</u>

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 15. RISK MANAGEMENT:

The City's risk management activities consist of administering employee life, health, property and liability insurance, worker's compensation and unemployment and disability insurance programs. All risk management activities are managed by the general fund except the City's self-insured dental insurance program, which is accounted for in an internal service fund.

All risk management programs of the general fund with inherent risk of significant loss are covered by commercial insurance funded through general fund operations. There have not been any settlements in excess of commercial insurance coverage for the current fiscal year or in any of the past three fiscal years.

Beginning October 1, 2015, the City began contracting with United Healthcare to provide health insurance benefits for its employees. Under the terms of the contract, the City's liability is limited to the monthly premiums for its employees. For employees electing the standard plan option, the City pays 100% of the employee's premium. For employees choosing the health insurance plan with increased benefits, the employee is liable for the difference between the higher plan and the standard plan. Employees must also pay 100% of the premiums for dependent coverage.

The City self-insures its employees and their covered dependents for dental benefits under an "administrative services" contract with an independent insurance company. Dental benefits are fully self-insured with a \$1,000 per year, per individual limit on benefits.

Premiums paid by employees and the City for dental coverage are recorded as revenues (charges for services) in the internal service fund. Benefit disbursements and claims are recorded as expenses. The City records an estimated claims liability for dental benefit claims. The accrued liability for estimated claims is based on estimates of the eventual loss on claims arising and reported prior to year end, and an estimate of claims incurred but not reported based on historical experience.

Unpaid claims liabilities are recorded in the dental benefit internal service fund for dental care claims. The following represents the changes in estimated aggregate liabilities for the City from October 1, 2014 to September 30, 2016:

		Dental Benefits
Liability balance, September 30, 2014	\$	2,820
Claims and changes in estimates		85,980
Claims payments		(85,344)
Liability balance, September 30, 2015		3,456
Claims and changes in estimates		77,865
Claims payments		(78,624)
Liability balance, September 30, 2016	\$	2,697

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 16. DEFERRED COMPENSATION PLAN:

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The City funds all amounts of compensation deferred under the Plan, at the direction of the covered employee, through various types of funds concentrating on investments in growth stocks, bonds, fixed rate securities, etc. as underwritten by the International City Manager Association (ICMA) Retirement Corporation, or by Hartford.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by ICMA or Hartford for the exclusive benefit of the participating employees and are not accessible by the City or its creditors.

Since the assets are held in trust for the exclusive benefit of the participating employees and not the City or its general creditors, none of the assets are reported in the City's financial statements, in accordance with GASB Statement No. 32.

NOTE 17. LANDFILL PERMIT:

The City was approved for additional permitting for the City's landfill with the State of Texas on December 29, 1995. The additional permitting should increase capacity of the City's landfill to a level which will meet the needs of the City for at least 64 years. The City has incurred costs to date to obtain the permit of \$690,786. On October 8, 1998, the new landfill opened and the City began to amortize the costs as a charge to operations based on an estimate of capacity used to total capacity of the new landfill. The estimated usage to date is 16.8%, resulting in \$116,052 of permit costs being amortized through September 30, 2016.

NOTE 18. LANDFILL CLOSURE AND POST-CLOSURE CARE COST AND RELATED FINANCIAL ASSURANCE:

In response to criteria adopted by the U.S. Environmental Protection Agency which established closure requirements for all municipal solid waste landfills that receive solid waste after October 9, 1993, the Governmental Accounting Standards Board issued Statement No. 18 "*Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs.*" State and federal laws and regulations require the City to place a final cover on its existing landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, GASB Statement 18 requires the City to report a portion of these closure and post-closure care costs as an operating expense in each period the landfill is open based on landfill capacity used as of each balance sheet date. The current closure and post-closure cost estimates are updated annually for inflation, deflation, technology, or changes in applicable laws or regulations based upon what it would cost to perform all closure and post-closure care.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 18. LANDFILL CLOSURE AND POST-CLOSURE CARE COST AND RELATED FINANCIAL ASSURANCE (continued):

The City currently operates under two permits granted by the Texas Commission on Environmental Quality (TCEQ) known as landfill permit numbers 589A and 2238. Permit 589A covers an area approximately 61 acres in size, while permit 2238 covers an area approximately 146 acres in size.

Landfill permit 589A had originally been estimated to have a total of eight cells, but was able to be expanded to include a total of ten cells. Cells one through four had been filled in previous years and covered in accordance with both State and Federal regulations. During the year ended September 30, 2009, the City completed usage of cells five through eight and covered these cells also in accordance with State and Federal regulations. In November 2009, the City was notified by the TCEQ that they had approved the closure activities of cells five through eight.

In addition, as mentioned above, the City is going to be able to utilize additional space in permit 589A, which is known as cells nine and ten. Through consultations between its outside engineers and the public works department the City was able to estimate closure and post-closure costs for permit 589A. Based upon these estimates the future closure and post-closure costs for permit 589A were determined to be \$189,079 and \$401,256 respectively. These estimates are subjected to annual inflation adjustments based on the inflation factor published by the Texas Commission on Environmental Quality.

As of the September 30, 2016 the inflation adjusted estimated closure and post-closure costs for permit 589A were \$206,285, and \$437,770 respectively. In accordance with GASB Statement No. 18, the City records the incurred liability for closure and post-closure costs based on the filled portion of the landfill's estimated total capacity. As of September 30, 2016, the capacity used to date for permit 589A was estimated to be 82.0%, resulting in estimated liabilities for closure and post-closure costs of \$169,154 and \$358,971 respectively.

Landfill permit 2238 has been estimated to have a total of sixteen cells, with an estimated life of approximately 64 years. Through September 30, 2016, the City had constructed and was using cells one through four of permit 2238. Consistent with Permit 589A, the City along with its landfill engineering consultant was able to determine closure and post-closure cost estimates for Permit 2238. Based upon these estimates the future closure and post-closure costs for permit 2238 were determined to be \$3,400,162 and \$2,435,812 respectively. These estimates are subject to annual inflation adjustments based on the inflation factor published by the Texas Commission on Environmental Quality.

As of September 30, 2016 the inflation adjusted estimated closure and post-closure costs for permit 2238 were \$3,709,577 and \$2,657,471 respectively. The capacity used to date for permit 2238 was estimated to be 16.8%, resulting in estimated liabilities for closure and post-closure costs of \$623,209 and \$446,455 respectively.

The recording of change in estimated closure and post-closure liability based on the inflation adjustment and change in capacity filled for both of the City's landfill permits discussed above resulted in \$76,931 being recorded as landfill closure cost expense in the Solid Waste Management Fund on the City's financial statements.

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

NOTE 18. LANDFILL CLOSURE AND POST-CLOSURE CARE COST AND RELATED FINANCIAL ASSURANCE (continued):

The City is required by state and federal laws and regulations to meet certain financial responsibility requirements in connection with the City's exposure to liability for the closure and post-closure care costs. The City has elected to meet financial assurance responsibility by complying with one option called the Local Government Financial Test and Government Guarantee. To meet this test the City must satisfy three components:

- 1) To meet specific ratio or bond rating criteria.
- 2) Public notice of the financial assurance costs.
- 3) Record keeping and reporting requirements.

The City has met the financial component (1) listed above by maintaining an "A+" bond rating on its general obligation bonds and having a ratio of current estimated closure and post-closure costs as compared to total revenue of less than or equal to 43%. The financial assurance costs required by the State of Texas to be identified and reported in the accompanying financial statements have been obtained by Biggs & Matthews, Mansfield, Texas (environmental engineers) and can be summarized as follows:

Type of Expenditure	Cost Estimate		
	Old Landfill	New Landfill	Total
Closure costs	\$ 206,285	\$ 3,709,577	\$ 3,915,862
Post-closure care costs	437,770	2,657,471	3,095,241
	\$ 644,055	\$ 6,367,048	\$ 7,011,103

The City's financial ratio is as follows:

Total closure and post-closure costs	7,011,103	= 27.78%
Total City revenue	25,241,733	

The public notice component (2) listed above has been met by the City through disclosure in this footnote of the required financial assurance costs and related information. The record keeping and reporting component (3) listed above will be met through submittal to the State of Texas of required documentation including:

- 1) A letter signed by the City's chief financial officer which certifies that the City has met the conditions of the test.
- 2) Copy of the City's independently audited year-end financial statements.
- 3) A special report from the independent certified public accountant.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 19. COMPONENT UNIT TRANSACTIONS:

The following were significant transactions between the City and the PEDC for the year ended September 30, 2016:

In November, 2012, the PEDC board of directors approved a grant to the City of Pampa, Texas in the amount of \$270,000 for the City Demolition project which included the removal of 64 houses. As or September 30, 2016, the City has expended approximately \$80,995 of the grant funds on demolition equipment and \$181,777 on demolition expenses, with the remaining \$7,228 recorded as unearned revenue. The City's management intends to continue the demolition project during fiscal year 2017.

In December, 2015, the PEDC board of directors approved a grant to the City of Pampa, Texas in the amount of \$30,000 for improvement to the City's golf course. During the year ended September 30, 2016, the City recognized grant revenue of \$30,000 as the City expended in excess of \$55,000 on improvements at the City's golf course.

In May, 2015, the PEDC board of directors approved a grant to the City of Pampa, Texas in the amount of \$212,000 for the purchase of equipment and repairs to existing equipment. As of September 30, 2016, the City recognized grant revenue of \$212,000 related to the purchase of and repairs to equipment.

NOTE 20. RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS:

In February 2015, the GASB issued Statement 72, Fair Value Measurement and Application (GASB 72). This statement addresses accounting and financial reporting issues related to fair value measurement and provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to fair value measurements. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of this pronouncement did not have an impact on the City's financial statements. The City's management believes this Statement did not have an affect on any of its assets or liabilities.

In June 2015, the GASB issued Statement 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (GASB 76). The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. The adoption of this Statement did not have any significant impact on the City's financial statements.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 21. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:

In June 2015, the GASB issued Statement 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (GASB 75). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB) and improve information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability an inter-period equity and creating additional transparency.

This Statement replaces the requirements of Statements GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. This statement is effective for fiscal years beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In August 2015, the GASB issued Statement 77, Tax Abatement Disclosures (GASB 77). The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. This Statement is effective for fiscal years beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In December 2015, the GASB issued Statement 79, Certain External Investment Pools and Pool Participants (GASB 79). This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 21. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (continued):

In March 2016, the GASB issued Statement 82, *Pension Issues – An Amendment of GASB Statements No. 67, No 68, and No 73* (GASB 82). The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the City’s financial statements.

NOTE 22. SUBSEQUENT EVENTS:

The City’s Police Department (the “Department”) has enrolled in the Defense Logistics Agency’s (the “Agency”) Law Enforcement Support Office Accountable Property Program. As part of its enrollment in the program, the Department receives military equipment from the Agency that was determined to be surplus. Subsequent to September 30, 2016, the City had received donations of surplus property, including but not limited to: generators, a mine resistant vehicle, utility truck, and various pieces of gym equipment. The total estimated fair value of the property received is approximately \$1,120,000.

The City’s management has evaluated subsequent events through March 13, 2017, which is the date the financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF PAMPA, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>12/31/2015</u>	<u>12/31/2014</u>
Total Pension Liability		
Service cost	\$ 1,097,354	\$ 916,826
Interest (on the total pension liability)	2,828,538	2,714,438
Changes of benefit terms	-	-
Difference between expected and actual experience	(91,604)	2,040
Change of assumptions	194,442	-
Benefit payments, including refunds of employee contributions	(2,342,645)	(1,844,472)
Net Change in Total Pension Liability	<u>1,686,085</u>	<u>1,788,832</u>
Total Pension Liability - Beginning	<u>41,030,335</u>	<u>39,241,503</u>
Total Pension Liability - Ending (a)	<u>\$ 42,716,420</u>	<u>\$ 41,030,335</u>
 Plan Fiduciary Net Position		
Contributions - employer	\$ 1,557,370	\$ 1,457,928
Contributions - employee	506,360	468,146
Net investment income	42,664	1,561,122
Benefit payments, including refunds of employee contributions	(2,342,645)	(1,844,472)
Administrative expense	(25,987)	(16,298)
Other	(1,284)	(1,340)
Net Change in Plan Fiduciary Net Position	<u>(263,522)</u>	<u>1,625,086</u>
Plan Fiduciary Net Position - Beginning	<u>28,913,913</u>	<u>27,288,827</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 28,650,391</u>	<u>\$ 28,913,913</u>
 Net Pension Liability - Ending (a) - (b)	<u>\$ 14,066,029</u>	<u>\$ 12,116,422</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	67.07%	70.47%
 Covered Employee Payroll	\$ 7,233,711	\$ 6,687,798
 Net Pension Liability as a Percentage of Covered Employee Payroll	194.45%	181.17%

Note: This schedule of changes in the City's net pension liability with related ratios, shows the changes in total pension liability less the changes in fiduciary net position, resulting in the net pension liability for the City. Only two years of data are presented in accordance with GASB 68, paragraph 138, which states in part, "The information may not be available initially. In the cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirement of this Statement."

The information above corresponds to the Plan measurement date of December 31, 2015 as opposed to the City's fiscal year end of September 30, 2016.

See the accompanying independent auditor's report

**CITY OF PAMPA, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,530,013	\$ 1,509,437	\$ 1,457,928
Contributions in relation to actuarially determined contribution	<u>(1,530,013)</u>	<u>(1,509,437)</u>	<u>(1,457,928)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 7,082,584	\$ 6,930,381	\$ 6,611,918
Contributions as a percentage of covered employee payroll	21.60%	21.78%	22.05%

Note: This Schedule of Employer Contributions shows the City's required annual contributions from the actuarial valuation, compared with the actual contributions remitted. The data in the schedule above corresponds to the City's fiscal year as opposed to the time period covered by the plan measurement date of December 31, 2015.

See the accompanying independent auditor's report

**CITY OF PAMPA, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 NOTES TO SCHEDULE OF CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 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: There were no benefit changes during the year.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND
SCHEDULE**

**CITY OF PAMPA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	Special Revenue			
	Debt Service	Capital Projects	Controlled Substances	M.K. Brown Auditorium
Assets:				
Cash and cash equivalents	\$ 190,673	\$ 93,891	\$ 11,497	\$ 500,397
Receivables, net of allowance for uncollectibles	18,342	-	-	31,639
Due from other funds	1,746	-	-	-
Prepaid items	-	-	-	4,857
Restricted cash	-	-	-	-
Restricted accrued interest	-	-	-	-
Restricted investments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 210,761	\$ 93,891	\$ 11,497	\$ 536,893
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities, Deferred Inflows and Fund balances:				
Liabilities:				
Accounts payable	\$ 500	\$ -	\$ -	\$ 16,539
Accrued expenditures	-	-	-	3,012
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	500	-	-	19,551
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	18,342	-	-	-
Total deferred inflows of resources	18,342	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	4,857
Permanent fund principal	-	-	-	-
Restricted fund balance:				
Debt service	191,919	-	-	-
Capital acquisition	-	93,891	-	-
MK Brown Auditorium	-	-	-	512,485
Lovett Library	-	-	-	-
Law enforcement	-	-	11,497	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	191,919	93,891	11,497	517,342
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows, and fund balances	\$ 210,761	\$ 93,891	\$ 11,497	\$ 536,893
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

<u>Funds</u>	<u>Total</u>	<u>M.K.</u>	<u>Total</u>
<u>Lovett</u>	<u>Nonmajor</u>	<u>Brown</u>	<u>Nonmajor</u>
<u>Memorial</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Governmental</u>
<u>Library</u>	<u>Funds</u>	<u>Fund</u>	<u>Funds</u>
\$ 134,538	\$ 646,432	\$ 3,648	\$ 934,644
4,697	36,336	-	54,678
-	-	-	1,746
985	5,842	-	5,842
-	-	223,429	223,429
-	-	350	350
-	-	130,000	130,000
<u>\$ 140,220</u>	<u>\$ 688,610</u>	<u>\$ 357,427</u>	<u>\$ 1,350,689</u>
\$ 5,482	\$ 22,021	\$ -	\$ 22,521
9,372	12,384	-	12,384
<u>14,854</u>	<u>34,405</u>	<u>-</u>	<u>34,905</u>
4,697	4,697	-	23,039
<u>4,697</u>	<u>4,697</u>	<u>-</u>	<u>23,039</u>
985	5,842	-	5,842
-	-	130,000	130,000
-	-	-	191,919
-	-	-	93,891
-	512,485	227,427	739,912
119,684	119,684	-	119,684
-	11,497	-	11,497
<u>120,669</u>	<u>649,508</u>	<u>357,427</u>	<u>1,292,745</u>
<u>\$ 140,220</u>	<u>\$ 688,610</u>	<u>\$ 357,427</u>	<u>\$ 1,350,689</u>

CITY OF PAMPA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016

	<u>Special Revenue</u>			
	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Controlled Substances</u>	<u>M.K. Brown Auditorium</u>
Revenues:				
Taxes:				
Property taxes	\$ 666,440	\$ -	\$ -	\$ -
Other taxes	-	-	-	366,823
Penalties and interest on taxes	5,044	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	32,873
Fines	-	-	-	-
Investment earnings	9	9	4	97
Contributions and donations	-	-	-	-
Other revenue	-	-	-	1,127
Total revenues	<u>671,493</u>	<u>9</u>	<u>4</u>	<u>400,920</u>
Expenditures:				
Current:				
Culture and recreation	-	-	-	311,322
Debt service:				
Principal retirement	421,172	-	-	-
Interest and fiscal charges	248,039	-	-	287
Total expenditures	<u>669,211</u>	<u>-</u>	<u>-</u>	<u>311,609</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,282</u>	<u>9</u>	<u>4</u>	<u>89,311</u>
Other financing sources (uses):				
Transfers in	-	-	-	4,000
Transfers out	-	-	(14,348)	(112,500)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(14,348)</u>	<u>(108,500)</u>
Net change in fund balances	2,282	9	(14,344)	(19,189)
Fund balances at beginning of year	<u>189,637</u>	<u>93,882</u>	<u>25,841</u>	<u>536,531</u>
Fund balances at end of year	<u>\$ 191,919</u>	<u>\$ 93,891</u>	<u>\$ 11,497</u>	<u>\$ 517,342</u>

<u>Funds</u>	<u>Total</u>	<u>M.K.</u>	<u>Total</u>
<u>Lovett</u>	<u>Nonmajor</u>	<u>Brown</u>	<u>Nonmajor</u>
<u>Memorial</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Governmental</u>
<u>Library</u>	<u>Funds</u>	<u>Fund</u>	<u>Funds</u>
\$ 187,719	\$ 187,719	\$ -	\$ 854,159
-	366,823	-	366,823
1,389	1,389	-	6,433
5,000	5,000	-	5,000
4,885	37,758	-	37,758
5,523	5,523	-	5,523
51	152	1,680	1,850
668	668	-	668
29,766	30,893	-	30,893
<u>235,001</u>	<u>635,925</u>	<u>1,680</u>	<u>1,309,107</u>
495,824	807,146	-	807,146
-	-	-	421,172
-	287	-	248,326
<u>495,824</u>	<u>807,433</u>	<u>-</u>	<u>1,476,644</u>
<u>(260,823)</u>	<u>(171,508)</u>	<u>1,680</u>	<u>(167,537)</u>
195,000	199,000	-	199,000
-	(126,848)	(4,000)	(130,848)
<u>195,000</u>	<u>72,152</u>	<u>(4,000)</u>	<u>68,152</u>
(65,823)	(99,356)	(2,320)	(99,385)
<u>186,492</u>	<u>748,864</u>	<u>359,747</u>	<u>1,392,130</u>
<u>\$ 120,669</u>	<u>\$ 649,508</u>	<u>\$ 357,427</u>	<u>\$ 1,292,745</u>

CITY OF PAMPA, TEXAS
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds		Total
	Municipal Golf Course	Leased Properties	Nonmajor Enterprise Funds
Assets:			
Current assets:			
Cash and cash equivalents	\$ 300	\$ 114,226	\$ 114,526
Restricted assets - current:			
Cash and cash equivalents	5,333	-	5,333
Receivables - net of uncollectible allowance	1,189	681	1,870
Total current assets	6,822	114,907	121,729
Non-current assets:			
Capital assets:			
Land	545,514	-	545,514
Buildings and improvements	1,455,035	738,592	2,193,627
Vehicles and equipment	528,300	-	528,300
Less: accumulated depreciation and amortization	(1,276,866)	(438,728)	(1,715,594)
Total non-current assets	1,251,983	299,864	1,551,847
Total assets	1,258,805	414,771	1,673,576
Liabilities:			
Current liabilities:			
Accounts payable	16,044	27	16,071
Due to other funds	41,303	-	41,303
Accrued interest payable	2,825	-	2,825
Unearned revenue	-	10,927	10,927
Bonds payable - current:			
Revenue bonds and certificates of obligation	7,150	-	7,150
Capital leases payable - current	44,055	-	44,055
Total current liabilities	111,377	10,954	122,331
Non-current liabilities:			
Revenue bonds and certificates of obligation (net)	44,107	-	44,107
Capital leases payable	90,337	-	90,337
Total non-current liabilities	134,444	-	134,444
Total liabilities	245,821	10,954	256,775
Net position:			
Net investment in capital assets	1,066,334	299,864	1,366,198
Restricted for debt service	2,508	-	2,508
Unrestricted	(55,858)	103,953	48,095
Total net position	\$ 1,012,984	\$ 403,817	\$ 1,416,801

CITY OF PAMPA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds		Total Nonmajor Enterprise Funds
	Municipal Golf Course	Leased Properties	
Operating revenues:			
Charges for services	\$ 287,239	\$ -	\$ 287,239
Rent	-	45,251	45,251
Other revenues	35,024	-	35,024
Total operating revenues	322,263	45,251	367,514
Operating expenses:			
Contractual services	282,332	1,886	284,218
Supplies and materials	77,924	-	77,924
Depreciation and amortization	121,742	14,900	136,642
Intercity administrative charges	26,300	-	26,300
Insurance and claims	3,967	4,000	7,967
Total operating expenses	512,265	20,786	533,051
Operating income (loss)	(190,002)	24,465	(165,537)
Non-operating revenues (expenses):			
Investment earnings	2	25	27
Interest and fiscal charges	(13,649)	-	(13,649)
Total non-operating revenues (expenses)	(13,647)	25	(13,622)
Income (loss) before transfers	(203,649)	24,490	(179,159)
Transfers in	141,000	-	141,000
Transfers out	-	(40,000)	(40,000)
Change in net position	(62,649)	(15,510)	(78,159)
Total net position - beginning of year	1,075,633	419,327	1,494,960
Total net position - end of year	\$ 1,012,984	\$ 403,817	\$ 1,416,801

CITY OF PAMPA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities		Total Nonmajor Enterprise Funds
	Enterprise Funds		
	Municipal Golf Course	Leased Properties	
Cash flows from operating activities:			
Receipts from customers and users	\$ 323,303	\$ 33,961	\$ 357,264
Payments to suppliers	(352,357)	(8,620)	(360,977)
Payments for inter-fund services used	15,003	-	15,003
Net cash flows from operating activities	<u>(14,051)</u>	<u>25,341</u>	<u>11,290</u>
Cash flows from non-capital financing activities:			
Transfers from other funds	141,000	-	141,000
Transfers to other funds	-	(40,000)	(40,000)
Net cash flows from non-capital financing activities	<u>141,000</u>	<u>(40,000)</u>	<u>101,000</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(55,112)	-	(55,112)
Principal paid on capital debt	(71,828)	-	(71,828)
Interest paid on capital debt	(11,650)	-	(11,650)
Net cash flows from capital and related financing activities	<u>(138,590)</u>	<u>-</u>	<u>(138,590)</u>
Cash flows from investing activities:			
Interest and dividends received	2	25	27
Net cash flows from investing activities	<u>2</u>	<u>25</u>	<u>27</u>
Net increase (decrease) in cash and cash equivalents	(11,639)	(14,634)	(26,273)
Cash and cash equivalents at beginning of year	<u>17,272</u>	<u>128,860</u>	<u>146,132</u>
Cash and cash equivalents at end of year	<u>\$ 5,633</u>	<u>\$ 114,226</u>	<u>\$ 119,859</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:			
Operating income (loss)	\$ (190,002)	\$ 24,465	\$ (165,537)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	121,742	14,900	136,642
Changes in assets & liabilities:			
(Increase) decrease in:			
Receivables	1,040	(681)	359
Increase (decrease) in:			
Accounts payable	11,866	(2,734)	9,132
Due to other funds	41,303	-	41,303
Unearned revenue	-	(10,609)	(10,609)
Total adjustments	<u>175,951</u>	<u>876</u>	<u>176,827</u>
Net cash provided (used) by operating activities	<u>\$ (14,051)</u>	<u>\$ 25,341</u>	<u>\$ 11,290</u>
Reconciliation of total cash and cash equivalents:			
Cash and cash equivalents on balance sheet	\$ 300	\$ 114,226	\$ 114,526
Restricted cash and cash equivalents on balance sheet	<u>5,333</u>	<u>-</u>	<u>5,333</u>
Total cash and cash equivalents	<u>\$ 5,633</u>	<u>\$ 114,226</u>	<u>\$ 119,859</u>

CITY OF PAMPA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues:				
Property taxes	\$ 678,211	\$ 678,211	\$ 666,440	\$ (11,771)
Penalties and interest on taxes	3,500	3,500	5,044	1,544
Interest	-	-	9	9
	<u>681,711</u>	<u>681,711</u>	<u>671,493</u>	<u>(10,218)</u>
Total revenues				
Expenditures:				
Debt service:				
Principal retirement	421,172	421,172	421,172	-
Interest and fiscal charges	247,039	247,039	248,039	(1,000)
	<u>668,211</u>	<u>668,211</u>	<u>669,211</u>	<u>(1,000)</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>13,500</u>	<u>13,500</u>	<u>2,282</u>	<u>(11,218)</u>
Net change in fund balances	13,500	13,500	2,282	(11,218)
Fund balance at beginning of year	<u>189,637</u>	<u>189,637</u>	<u>189,637</u>	<u>-</u>
Fund balance at end of year	<u>\$ 203,137</u>	<u>\$ 203,137</u>	<u>\$ 191,919</u>	<u>\$ (11,218)</u>

CITY OF PAMPA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment earnings	\$ -	\$ -	\$ 9	\$ 9
Total revenues	<u>-</u>	<u>-</u>	<u>9</u>	<u>9</u>
Expenditures:				
Capital outlay:	<u>54,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>54,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(54,800)</u>	<u>-</u>	<u>9</u>	<u>9</u>
Net change in fund balances	(54,800)	-	9	9
Fund balances at beginning of year	<u>93,882</u>	<u>93,882</u>	<u>93,882</u>	<u>-</u>
Fund balances at end of year	<u>\$ 39,082</u>	<u>\$ 93,882</u>	<u>\$ 93,891</u>	<u>\$ 9</u>

CITY OF PAMPA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTROLLED SUBSTANCES
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Contributions and donations	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Investment earnings	<u>5</u>	<u>5</u>	<u>4</u>	<u>(1)</u>
Total revenues	<u>5,005</u>	<u>5,005</u>	<u>4</u>	<u>(5,001)</u>
Expenditures:				
Current:				
Public safety	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5</u>	<u>5</u>	<u>4</u>	<u>(1)</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>(14,348)</u>	<u>(14,348)</u>	<u>-</u>
Net change in fund balances	5	(14,343)	(14,344)	(1)
Fund balances at beginning of year	<u>25,841</u>	<u>25,841</u>	<u>25,841</u>	<u>-</u>
Fund balances at end of year	<u>\$ 25,846</u>	<u>\$ 11,498</u>	<u>\$ 11,497</u>	<u>\$ (1)</u>

CITY OF PAMPA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - M.K. BROWN AUDITORIUM
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other taxes	\$ 475,000	\$ 475,000	\$ 366,823	\$ (108,177)
Charges for services	29,000	29,000	32,873	3,873
Investment earnings	100	100	97	(3)
Other revenue	-	-	1,127	1,127
	<u>504,100</u>	<u>504,100</u>	<u>400,920</u>	<u>(103,180)</u>
Total revenues				
Expenditures:				
Current:				
Culture and recreation	309,644	313,267	311,322	1,945
Capital outlay	25,000	-	-	-
Interest and fiscal charges	-	288	287	1
	<u>334,644</u>	<u>313,555</u>	<u>311,609</u>	<u>1,946</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>169,456</u>	<u>190,545</u>	<u>89,311</u>	<u>(101,234)</u>
Other financing sources (uses):				
Transfers in	4,000	4,000	4,000	-
Transfers out	(124,500)	(122,190)	(112,500)	9,690
	<u>(120,500)</u>	<u>(118,190)</u>	<u>(108,500)</u>	<u>9,690</u>
Total other financing sources (uses)				
Net change in fund balances	48,956	72,355	(19,189)	(91,544)
Fund balances at beginning of year	<u>536,531</u>	<u>536,531</u>	<u>536,531</u>	<u>-</u>
Fund balances at end of year	<u>\$ 585,487</u>	<u>\$ 608,886</u>	<u>\$ 517,342</u>	<u>\$ (91,544)</u>

CITY OF PAMPA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - LOVETT MEMORIAL LIBRARY
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property taxes	\$ 189,236	\$ 189,236	\$ 187,719	\$ (1,517)
Penalties and interest on taxes	4,000	4,000	1,389	(2,611)
Intergovernmental	5,000	5,000	5,000	-
Charges for services	9,000	9,000	4,885	(4,115)
Fines	4,200	4,200	5,523	1,323
Investment earnings	100	100	51	(49)
Contributions and donations	1,000	1,000	668	(332)
Other revenue	25,100	30,100	29,766	(334)
Total revenues	<u>237,636</u>	<u>242,636</u>	<u>235,001</u>	<u>(7,635)</u>
Expenditures:				
Current:				
Culture and recreation	<u>539,165</u>	<u>533,420</u>	<u>495,824</u>	<u>37,596</u>
Total expenditures	<u>539,165</u>	<u>533,420</u>	<u>495,824</u>	<u>37,596</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(301,529)</u>	<u>(290,784)</u>	<u>(260,823)</u>	<u>29,961</u>
Other financing sources (uses):				
Transfers in	<u>195,000</u>	<u>195,000</u>	<u>195,000</u>	<u>-</u>
Total other financing sources (uses)	<u>195,000</u>	<u>195,000</u>	<u>195,000</u>	<u>-</u>
Net change in fund balances	(106,529)	(95,784)	(65,823)	29,961
Fund balances at beginning of year	<u>186,492</u>	<u>186,492</u>	<u>186,492</u>	<u>-</u>
Fund balances at end of year	<u>\$ 79,963</u>	<u>\$ 90,708</u>	<u>\$ 120,669</u>	<u>\$ 29,961</u>

CITY OF PAMPA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - M.K. BROWN PERMANENT FUND
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment earnings	\$ 4,000	\$ 1,500	\$ 1,680	\$ 180
Total revenues	<u>4,000</u>	<u>1,500</u>	<u>1,680</u>	<u>180</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,000</u>	<u>1,500</u>	<u>1,680</u>	<u>180</u>
Other financing sources (uses):				
Transfers out	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Net change in fund balances	-	(2,500)	(2,320)	180
Fund balances at beginning of year	<u>359,747</u>	<u>359,747</u>	<u>359,747</u>	<u>-</u>
Fund balances at end of year	<u>\$ 359,747</u>	<u>\$ 357,247</u>	<u>\$ 357,427</u>	<u>\$ 180</u>

CITY OF PAMPA, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MUNICIPAL COURT BAIL BOND AGENCY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Balance October 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2016</u>
Municipal Court Bail Bond Fund:				
Assets:				
Cash and cash equivalents	\$ 757	\$ 5,933	\$ 5,109	\$ 1,581
Total assets	<u>\$ 757</u>	<u>\$ 5,933</u>	<u>\$ 5,109</u>	<u>\$ 1,581</u>
Liabilities:				
Accounts payable	\$ -	\$ 352	\$ -	\$ 352
Deposits	<u>757</u>	<u>7,885</u>	<u>7,413</u>	<u>1,229</u>
Total liabilities	<u>\$ 757</u>	<u>\$ 8,237</u>	<u>\$ 7,413</u>	<u>\$ 1,581</u>

CITY OF PAMPA, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY SOURCE
SEPTEMBER 30, 2016

Governmental funds capital assets (net of accumulated depreciation):	
Land	\$ 48,829
Collection	203,500
Roads	131,815
Buildings & improvements	5,690,025
Equipment	<u>2,897,027</u>
Total governmental activities capital assets, net	<u>\$ 8,971,196</u>
Investment in governmental activities capital assets by source (net of accumulated depreciation):	
General fund	\$ 7,627,525
M.K. Brown Auditorium special revenue fund	830,937
Lovett Memorial Library special revenue fund	<u>512,734</u>
Total investment in governmental activities capital assets by source (net of accumulated depreciation)	<u>\$ 8,971,196</u>

CITY OF PAMPA, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2016

	<u>Land</u>	<u>Collection</u>	<u>Roads</u>	<u>Buildings & Improvements</u>	<u>Vehicles & Equipment</u>	<u>Total</u>
General government:						
Mayor and commission	\$ 3,306	\$ -	\$ -	\$ -	\$ 14,790	\$ 18,096
Administrative services	-	-	-	-	39,250	39,250
Building & grounds	2,163	-	-	3,037,318	406,277	3,445,758
Data processing	-	-	-	11,045	281,903	292,948
Purchasing & central stores	-	-	-	4,632	19,047	23,679
Central garage	-	-	-	150,198	2,318,618	2,468,816
Subtotal	<u>5,469</u>	<u>-</u>	<u>-</u>	<u>3,203,193</u>	<u>3,079,885</u>	<u>6,288,547</u>
Culture and recreation:						
Parks	43,360	95,000	-	379,715	913,958	1,432,033
Recreation	-	-	151,789	1,689,141	420,718	2,261,648
M.K. Brown Auditorium	-	108,500	-	3,048,449	322,016	3,478,965
Lovett Memorial Library	-	-	-	970,470	106,165	1,076,635
Subtotal	<u>43,360</u>	<u>203,500</u>	<u>151,789</u>	<u>6,087,775</u>	<u>1,762,857</u>	<u>8,249,281</u>
Solid waste collection	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,258,586</u>	<u>1,258,586</u>
Streets and traffic:						
Planning and engineering	-	-	-	-	366,476	366,476
Streets & traffic control	-	-	18,658,075	145,986	2,768,943	21,573,004
Subtotal	<u>-</u>	<u>-</u>	<u>18,658,075</u>	<u>145,986</u>	<u>3,135,419</u>	<u>21,939,480</u>
Public safety:						
Animal control	-	-	-	2,998,589	86,774	3,085,363
Police	-	-	-	35,768	1,168,943	1,204,711
Fire suppression	-	-	-	148,938	1,540,775	1,689,713
Fire prevention	-	-	-	-	6,690	6,690
Dispatch	-	-	-	-	80,538	80,538
Emergency management & civil defense	-	-	-	-	385,170	385,170
Code enforcement	-	-	-	-	50,664	50,664
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,183,295</u>	<u>3,319,554</u>	<u>6,502,849</u>
Total governmental activities capital assets	48,829	203,500	18,809,864	12,620,249	12,556,301	44,238,743
Less: accumulated depreciation	<u>-</u>	<u>-</u>	<u>18,678,049</u>	<u>6,930,224</u>	<u>9,659,274</u>	<u>35,267,547</u>
Total governmental activities capital assets net of accumulated depreciation	<u>\$ 48,829</u>	<u>\$ 203,500</u>	<u>\$ 131,815</u>	<u>\$ 5,690,025</u>	<u>\$ 2,897,027</u>	<u>\$ 8,971,196</u>

CITY OF PAMPA, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Governmental Fund Capital Assets Oct. 1, 2015	Additions and Transfers In	Deletions and Transfers Out	Governmental Fund Capital Assets Sept. 30, 2016
General government:				
Mayor and commission	\$ 18,096	\$ -	\$ -	\$ 18,096
Administrative services	39,250	-	-	39,250
Building & grounds	3,441,922	6,116	(2,280)	3,445,758
Data processing	292,948	-	-	292,948
Purchasing & central stores	23,679	-	-	23,679
Central garage	2,720,026	14,500	(265,711)	2,468,815
Subtotal	<u>6,535,921</u>	<u>20,616</u>	<u>(267,991)</u>	<u>6,288,546</u>
Culture and recreation:				
Parks	1,411,593	52,838	(32,398)	1,432,033
Recreation	2,217,500	61,661	(17,514)	2,261,647
M.K. Brown Auditorium	3,478,966	-	-	3,478,966
Lovett Memorial Library	1,076,635	-	-	1,076,635
Subtotal	<u>8,184,694</u>	<u>114,499</u>	<u>(49,912)</u>	<u>8,249,281</u>
Solid waste collection	<u>1,097,335</u>	<u>182,634</u>	<u>(21,383)</u>	<u>1,258,586</u>
Streets and traffic:				
Planning and engineering	391,472	-	(24,997)	366,475
Streets & traffic control	21,438,342	221,938	(87,275)	21,573,005
Subtotal	<u>21,829,814</u>	<u>221,938</u>	<u>(112,272)</u>	<u>21,939,480</u>
Public safety:				
Animal control	3,085,362	-	-	3,085,362
Police	1,096,259	148,536	(40,083)	1,204,712
Fire suppression	1,715,649	-	(25,935)	1,689,714
Fire prevention	6,690	-	-	6,690
Dispatch	80,538	-	-	80,538
Emergency management & civil defense	385,170	-	-	385,170
Code enforcement	68,578	-	(17,914)	50,664
Subtotal	<u>6,438,246</u>	<u>148,536</u>	<u>(83,932)</u>	<u>6,502,850</u>
Economic development	<u>587,169</u>	<u>-</u>	<u>(587,169)</u>	<u>-</u>
Total governmental activities capital assets	<u>\$ 44,673,179</u>	<u>\$ 688,223</u>	<u>\$ (1,122,659)</u>	<u>\$ 44,238,743</u>

STATISTICAL SECTION

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Statistical Section Summary:

This part of the City of Pampa'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.

Contents

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Financial Trends

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

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Revenue Capacity

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

130 - 137

Debt Capacity

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.

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Demographic and Economic Information

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

148 - 149

Operating Information

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.

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Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years.

City of Pampa, Texas
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities:				
Net investment in capital assets	\$ 5,481,656	\$ 6,474,128	\$ 6,537,106	\$ 6,501,325
Restricted	960,218	1,388,162	1,824,406	671,607
Unrestricted	<u>3,487,348</u>	<u>3,674,527</u>	<u>3,814,279</u>	<u>4,182,128</u>
Total governmental activities net assets	<u>9,929,222</u>	<u>11,536,817</u>	<u>12,175,791</u>	<u>11,355,060</u>
Business-type activities				
Net investment in capital assets	9,105,903	7,687,577	10,086,334	9,896,072
Restricted	1,263,650	3,218,900	1,147,388	2,511,098
Unrestricted	<u>1,104,497</u>	<u>(224,532)</u>	<u>(102,102)</u>	<u>(335,098)</u>
Total business-type activities net assets	<u>11,474,050</u>	<u>10,681,945</u>	<u>11,131,620</u>	<u>12,072,072</u>
Primary government:				
Net investment in capital assets	14,587,559	14,161,705	16,623,440	16,397,397
Restricted	2,223,868	4,607,062	2,971,794	3,182,705
Unrestricted	<u>4,591,845</u>	<u>3,449,995</u>	<u>3,712,177</u>	<u>3,847,030</u>
Total primary government net assets	<u>\$ 21,403,272</u>	<u>\$ 22,218,762</u>	<u>\$ 23,307,411</u>	<u>\$ 23,427,132</u>

Note: The City of Pampa implemented GASB 68 in fiscal year 2015, which resulted in a significant decrease in unrestricted net position.

Note: See Note 9 for a discussion of the calculation of net investment in capital assets for the governmental and business-type activities.

Exhibit B-1

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	6,055,828	\$ 5,912,680	\$ 5,827,112	\$ 5,202,726	\$ 5,148,905	\$ 4,433,162
	558,133	939,970	1,236,187	1,306,222	1,698,544	1,495,321
	<u>4,391,355</u>	<u>4,551,251</u>	<u>4,287,289</u>	<u>4,410,994</u>	<u>(8,198,359)</u>	<u>(8,269,716)</u>
	<u>11,005,316</u>	<u>11,403,901</u>	<u>11,350,588</u>	<u>10,919,942</u>	<u>(1,350,910)</u>	<u>(2,341,233)</u>
	11,851,317	11,166,056	10,801,091	11,320,364	15,614,500	16,018,887
	1,441,519	2,391,976	2,322,758	3,097,382	2,982,699	2,632,379
	<u>568,567</u>	<u>1,459,609</u>	<u>2,962,850</u>	<u>4,255,594</u>	<u>2,839,400</u>	<u>4,474,467</u>
	<u>13,861,403</u>	<u>15,017,641</u>	<u>16,086,699</u>	<u>18,673,340</u>	<u>21,436,599</u>	<u>23,125,733</u>
	17,907,145	17,078,736	16,628,203	16,523,090	17,708,045	17,404,961
	1,999,652	3,331,946	3,558,945	4,403,604	4,681,243	4,127,700
	<u>4,959,922</u>	<u>6,010,860</u>	<u>7,250,139</u>	<u>8,666,588</u>	<u>(2,303,599)</u>	<u>(748,161)</u>
\$	<u><u>24,866,719</u></u>	<u><u>26,421,542</u></u>	<u><u>27,437,287</u></u>	<u><u>29,593,282</u></u>	<u><u>20,085,689</u></u>	<u><u>20,784,500</u></u>

City of Pampa, Texas

Changes in Net Position - Last Ten Fiscal Years (accrual basis of accounting)

Expenses:	2007	2008	2009	2010
Governmental activities:				
General government	\$ 1,625,296	\$ 1,696,033	\$ 1,729,688	\$ 1,726,594
Public safety	4,613,920	4,873,940	5,284,691	5,315,710
Streets and traffic	1,859,807	2,037,076	2,528,096	2,227,433
Solid waste	1,091,092	1,021,191	1,138,792	1,095,529
Culture and recreation	1,329,075	1,344,516	1,413,423	1,410,324
Interest on long-term debt and bond costs	156,840	109,164	107,960	89,587
Bond issuance costs	-	-	-	-
Total governmental activities expenses	<u>10,676,030</u>	<u>11,081,920</u>	<u>12,202,650</u>	<u>11,865,177</u>
Business-type activities:				
Water and sewer system	5,341,194	6,015,574	6,179,224	6,278,673
Solid waste management	1,364,944	1,551,281	1,801,196	2,216,417
Aquatics center	-	-	78,259	138,002
Golf course	431,835	458,651	534,736	531,643
Leased properties	86,753	99,641	58,399	65,239
Total business-type activities expenses	<u>7,224,726</u>	<u>8,125,147</u>	<u>8,651,814</u>	<u>9,229,974</u>
Total primary government expenses	<u>\$ 17,900,756</u>	<u>\$ 19,207,067</u>	<u>\$ 20,854,464</u>	<u>\$ 21,095,151</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	\$ 868,156	\$ 888,903	\$ 893,195	\$ 877,752
Public safety	563,027	733,560	697,040	562,400
Solid waste	1,626,841	1,663,875	1,915,718	2,043,726
Culture and recreation	112,870	120,789	127,744	110,461
Operating grants and contributions	148,947	223,617	195,221	259,101
Capital grants and contributions	81,195	19,900	-	-
Total governmental activities program revenues	<u>3,401,036</u>	<u>3,650,644</u>	<u>3,828,918</u>	<u>3,853,440</u>
Business-type activities:				
Charges for services:				
Water and sewer system	5,198,529	5,418,964	6,292,352	6,523,001
Solid waste management	1,406,146	1,372,124	1,602,156	1,625,931
Aquatics center	-	-	-	-
Golf course	318,094	323,528	289,132	282,796
Leased properties	-	-	3,612	7,393
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	622,136	418,204
Total business-type activities program revenues	<u>6,922,769</u>	<u>7,114,616</u>	<u>8,809,388</u>	<u>8,857,325</u>
Total primary government program revenues	<u>\$ 10,323,805</u>	<u>\$ 10,765,260</u>	<u>\$ 12,638,306</u>	<u>\$ 12,710,765</u>
Net (Expense) Revenue				
Governmental activities	\$ (7,274,994)	\$ (7,431,276)	\$ (8,373,732)	\$ (8,011,737)
Business-type activities	(301,957)	(1,010,531)	157,574	(372,649)
Total primary government net (expense) revenue	<u>\$ (7,576,951)</u>	<u>\$ (8,441,807)</u>	<u>\$ (8,216,158)</u>	<u>\$ (8,384,386)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 3,162,567	\$ 3,357,458	\$ 3,568,870	\$ 3,491,082
Sales taxes	3,725,658	3,928,810	3,459,719	3,303,194
Other taxes	1,448,350	1,579,574	1,317,121	1,371,252
Investment earnings	141,486	91,410	27,199	15,051
Miscellaneous revenues	56,719	127,436	309,773	144,601
Transfers in (out)	(169,346)	(45,817)	(117,016)	(1,134,174)
Total governmental activities	<u>8,365,434</u>	<u>9,038,871</u>	<u>8,565,666</u>	<u>7,191,006</u>
Business-type activities:				
Investment earnings	152,911	80,322	54,196	17,681
Miscellaneous revenues	198,079	92,287	120,889	161,246
Transfers in (out)	169,346	45,817	117,016	1,134,174
Total business-type activities	<u>520,336</u>	<u>218,426</u>	<u>292,101</u>	<u>1,313,101</u>
Total primary government	<u>\$ 8,885,770</u>	<u>\$ 9,257,297</u>	<u>\$ 8,857,767</u>	<u>\$ 8,504,107</u>
Change in Net Position				
Governmental activities	\$ 1,090,440	\$ 1,607,595	\$ 191,934	\$ (820,731)
Business-type activities	218,379	(792,105)	449,675	940,452
Total primary government	<u>\$ 1,308,819</u>	<u>\$ 815,490</u>	<u>\$ 641,609</u>	<u>\$ 119,721</u>

Exhibit B-2

	2011	2012	2013	2014	2015	2016
\$	1,915,324	\$ 1,948,434	\$ 2,057,208	\$ 2,109,398	\$ 2,218,527	\$ 2,245,560
	5,565,027	5,703,096	5,991,983	6,137,330	6,434,064	6,917,024
	2,336,295	2,340,941	2,378,698	2,349,728	1,798,303	1,683,410
	1,238,104	1,281,762	1,282,125	1,366,173	1,436,844	1,565,106
	1,495,278	1,474,283	1,488,900	1,633,041	1,837,664	1,963,073
	194,127	176,259	229,502	210,265	314,523	268,653
	-	-	-	-	40,757	-
	<u>12,744,155</u>	<u>12,924,775</u>	<u>13,428,416</u>	<u>13,805,935</u>	<u>14,080,682</u>	<u>14,642,826</u>
	6,231,284	6,417,808	6,533,386	6,614,032	6,830,373	6,893,330
	1,927,157	1,917,856	1,874,287	1,714,224	1,604,782	1,624,659
	444,769	658,523	602,512	585,061	491,665	501,808
	544,819	572,049	520,294	529,837	515,374	525,914
	59,782	170,612	36,519	36,002	39,151	20,786
	<u>9,207,811</u>	<u>9,736,848</u>	<u>9,566,998</u>	<u>9,479,156</u>	<u>9,481,345</u>	<u>9,566,497</u>
\$	<u>21,951,966</u>	<u>22,661,623</u>	<u>22,995,414</u>	<u>23,285,091</u>	<u>23,562,027</u>	<u>24,209,323</u>
\$	878,110	\$ 874,379	\$ 870,251	\$ 921,776	\$ 975,947	\$ 1,023,082
	643,129	625,510	659,926	584,846	515,719	624,196
	2,160,335	2,272,971	2,317,559	2,400,135	2,443,191	2,435,430
	98,736	105,024	109,728	100,297	91,735	95,841
	197,328	123,918	200,975	114,551	121,534	421,602
	-	-	-	-	-	-
	<u>3,977,638</u>	<u>4,001,802</u>	<u>4,158,439</u>	<u>4,121,605</u>	<u>4,148,126</u>	<u>4,600,151</u>
	7,435,813	8,011,562	7,910,442	7,936,781	7,920,229	7,981,648
	1,760,343	1,866,920	1,781,560	2,024,031	2,033,115	2,110,968
	336,941	350,368	317,239	298,372	319,331	361,125
	301,363	316,517	321,192	308,207	312,355	287,239
	49,795	55,757	73,958	89,504	71,212	45,251
	75,000	-	162,830	84,588	2,923	16,654
	314,590	19,975	50,000	30,000	66,811	299,720
	<u>10,273,845</u>	<u>10,621,099</u>	<u>10,617,221</u>	<u>10,771,483</u>	<u>10,725,976</u>	<u>11,102,605</u>
\$	<u>14,251,483</u>	<u>14,622,901</u>	<u>14,775,660</u>	<u>14,893,088</u>	<u>14,874,102</u>	<u>15,702,756</u>
\$	(8,766,517)	\$ (8,922,973)	\$ (9,269,977)	\$ (9,684,330)	\$ (9,932,556)	\$ (10,042,675)
	1,066,034	884,251	1,050,223	1,292,327	1,244,631	1,536,108
\$	<u>(7,700,483)</u>	<u>(8,038,722)</u>	<u>(8,219,754)</u>	<u>(8,392,003)</u>	<u>(8,687,925)</u>	<u>(8,506,567)</u>
\$	3,639,707	\$ 3,635,602	\$ 3,653,330	\$ 3,902,718	\$ 3,945,287	\$ 4,174,713
	3,685,594	4,175,086	4,191,828	4,570,962	4,047,076	3,311,843
	1,400,968	1,501,817	1,531,842	1,778,247	1,783,540	1,569,579
	12,449	22,632	14,795	7,774	5,832	3,481
	157,171	55,643	64,999	97,384	141,866	66,026
	(479,116)	(69,222)	(85,551)	(1,103,401)	(3,201,978)	(73,290)
	<u>8,416,773</u>	<u>9,321,558</u>	<u>9,371,243</u>	<u>9,253,684</u>	<u>6,721,623</u>	<u>9,052,352</u>
	17,680	5,330	9,002	4,416	1,917	2,019
	226,505	197,434	261,465	186,497	66,026	77,717
	479,116	69,222	85,551	1,103,401	3,201,978	73,290
	<u>723,301</u>	<u>271,986</u>	<u>356,018</u>	<u>1,294,314</u>	<u>3,269,921</u>	<u>153,026</u>
\$	<u>9,140,074</u>	<u>9,593,544</u>	<u>9,727,261</u>	<u>10,547,998</u>	<u>9,991,544</u>	<u>9,205,378</u>
\$	(349,744)	\$ 398,585	\$ 101,266	\$ (430,646)	\$ (3,210,933)	\$ (990,323)
	1,789,335	1,156,237	1,406,241	2,586,641	4,514,552	1,689,134
\$	<u>1,439,591</u>	<u>1,554,822</u>	<u>1,507,507</u>	<u>2,155,995</u>	<u>1,303,619</u>	<u>698,811</u>

City of Pampa, Texas
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund:				
Non-spendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Reserved	856,583	544,982	773,401	322,697
Unreserved	<u>2,085,383</u>	<u>2,766,388</u>	<u>2,776,600</u>	<u>3,622,291</u>
Total general fund	<u>2,941,966</u>	<u>3,311,370</u>	<u>3,550,001</u>	<u>3,944,988</u>
All other governmental funds:				
Non-spendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Reserved for:				
Debt service	585,156	1,015,687	1,206,210	49,392
M.K. Brown Auditorium	358,292	355,480	351,871	357,904
Unreserved, reported in :				
Capital projects fund	16,770	16,995	266,324	264,311
Special revenue funds	<u>593,099</u>	<u>561,212</u>	<u>550,340</u>	<u>545,832</u>
Total all other governmental funds	<u>1,553,317</u>	<u>1,949,374</u>	<u>2,374,745</u>	<u>1,217,439</u>
Total all governmental funds	<u>\$ 4,495,283</u>	<u>\$ 5,260,744</u>	<u>\$ 5,924,746</u>	<u>\$ 5,162,427</u>

Note: The City of Pampa implemented GASB 54 in fiscal year 2011 which changed fund balance classifications.

Exhibit B-3

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	96,116	\$ 81,203	\$ 83,787	\$ 91,672	\$ 145,405	\$ 89,655
	107,715	93,872	109,048	121,815	403,893	302,309
	665,559	407,718	625,965	968,214	394,094	403,712
	3,492,768	4,231,962	4,020,833	3,707,019	3,699,018	3,997,330
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>4,362,158</u>	<u>4,814,755</u>	<u>4,839,633</u>	<u>4,888,720</u>	<u>4,642,410</u>	<u>4,793,006</u>
	350,000	354,789	355,057	354,385	353,597	135,842
	100,418	3,457,410	1,395,886	972,433	1,038,533	1,156,903
	-	155,222	-	-	-	-
	434,959	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>885,377</u>	<u>3,967,421</u>	<u>1,750,943</u>	<u>1,326,818</u>	<u>1,392,130</u>	<u>1,292,745</u>
\$	<u>5,247,535</u>	<u>8,782,176</u>	<u>6,590,576</u>	<u>6,215,538</u>	<u>6,034,540</u>	<u>6,085,751</u>

City of Pampa, Texas
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues				
Taxes	\$ 8,357,972	\$ 9,003,564	\$ 8,361,560	\$ 8,162,945
Charges for services	2,772,483	2,873,142	3,152,090	3,269,010
Fines & forfeitures	380,748	516,236	495,386	342,124
Interest	141,486	91,396	27,194	15,048
Intergovernmental	191,245	118,200	115,271	167,866
Licenses & permits	59,120	87,919	55,870	69,035
Miscellaneous	136,721	252,753	395,476	290,063
Total revenues	<u>12,039,775</u>	<u>12,943,210</u>	<u>12,602,847</u>	<u>12,316,091</u>
Expenditures				
General government	1,340,681	1,326,259	1,366,487	1,421,703
Public safety	4,464,962	4,702,906	5,055,916	5,128,780
Streets & traffic	1,503,454	1,729,595	2,245,070	1,903,806
Solid waste management	1,036,806	959,851	1,050,281	997,336
Culture & recreation	1,154,552	1,168,576	1,193,793	1,117,380
Capital outlay	1,674,685	1,990,161	939,946	994,215
Debt service:				
Interest and fiscal charges	136,953	121,385	117,474	93,970
Principal	630,882	555,231	573,036	468,187
Bond issuance costs	-	-	-	-
Total expenditures	<u>11,942,975</u>	<u>12,553,964</u>	<u>12,542,003</u>	<u>12,125,377</u>
Excess of revenues over (under) expenditures	<u>96,800</u>	<u>389,246</u>	<u>60,844</u>	<u>190,714</u>
Other Financing Sources (Uses)				
Proceeds from borrowing	-	422,029	256,641	142,498
Payments to escrow agent	-	-	-	-
Transfers in	529,907	758,939	464,131	475,183
Transfers out	<u>(699,253)</u>	<u>(804,756)</u>	<u>(564,654)</u>	<u>(1,570,714)</u>
Total other financing sources (uses)	<u>(169,346)</u>	<u>376,212</u>	<u>156,118</u>	<u>(953,033)</u>
Special item - Transfer of assets	<u>(511,911)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (584,457)</u>	<u>\$ 765,458</u>	<u>\$ 216,962</u>	<u>\$ (762,319)</u>
Debt service as a percentage of non-capital expenditures	<u>7.48%</u>	<u>6.41%</u>	<u>5.95%</u>	<u>5.05%</u>

Exhibit B-4

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	8,719,982	\$ 9,326,694	\$ 9,400,017	\$ 10,271,990	\$ 9,769,064	\$ 9,060,373
	3,360,112	3,448,686	3,512,341	3,581,496	3,628,290	3,639,478
	417,281	409,960	433,321	341,574	282,893	386,083
	12,447	22,623	14,780	7,755	5,824	3,471
	149,192	92,542	106,449	96,884	106,596	409,505
	57,328	65,094	73,208	141,459	201,393	220,297
	205,307	90,734	190,793	115,051	171,536	340,185
	<u>12,921,649</u>	<u>13,456,333</u>	<u>13,730,909</u>	<u>14,556,209</u>	<u>14,165,596</u>	<u>14,059,392</u>
	1,544,600	1,548,041	1,688,987	1,808,722	1,986,896	1,865,479
	5,411,834	5,574,249	5,877,698	5,908,604	6,242,152	6,383,905
	1,995,004	1,981,536	1,993,924	1,998,146	1,483,933	1,327,707
	1,114,330	1,173,103	1,170,849	1,234,783	1,321,390	1,357,357
	1,189,399	1,170,732	1,189,456	1,335,798	1,488,156	1,594,126
	542,837	823,592	3,267,736	982,521	1,159,359	685,942
	139,456	211,700	178,953	181,911	280,858	255,710
	419,965	435,862	389,313	377,361	470,782	464,665
	-	-	-	-	40,757	-
	<u>12,357,425</u>	<u>12,918,815</u>	<u>15,756,916</u>	<u>13,827,846</u>	<u>14,474,283</u>	<u>13,934,891</u>
	<u>564,224</u>	<u>537,518</u>	<u>(2,026,007)</u>	<u>728,363</u>	<u>(308,687)</u>	<u>124,501</u>
	-	3,426,973	-	-	1,724,382	-
	-	(330,000)	-	-	(1,505,843)	-
	335,618	376,467	521,907	461,615	397,150	393,558
	<u>(814,734)</u>	<u>(476,317)</u>	<u>(687,500)</u>	<u>(1,565,016)</u>	<u>(488,000)</u>	<u>(466,848)</u>
	<u>(479,116)</u>	<u>2,997,123</u>	<u>(165,593)</u>	<u>(1,103,401)</u>	<u>127,689</u>	<u>(73,290)</u>
	-	-	-	-	-	-
\$	<u>85,108</u>	<u>3,534,641</u>	<u>(2,191,600)</u>	<u>(375,038)</u>	<u>(180,998)</u>	<u>51,211</u>
	<u>4.74%</u>	<u>5.35%</u>	<u>4.55%</u>	<u>4.35%</u>	<u>5.65%</u>	<u>5.44%</u>

City of Pampa, Texas
Taxable Sales by Category
Calendar Years 2004 - 2013

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Agriculture/Forestry/Fishing/Hunting	\$ Not reported	\$ Not reported	\$ Not reported	\$ Not reported
Mining/Quarrying/Oil and Gas	18,535,906	20,725,873	28,411,495	2,067,498
Utilities	Not reported	Not reported	Not reported	Not reported
Construction	2,537,992	2,294,428	4,447,205	2,806,660
Manufacturing	18,931,406	23,247,426	37,127,659	23,227,322
Wholesale Trade	16,718,280	16,704,603	32,448,793	11,646,858
Retail Trade	96,057,325	100,331,144	102,595,824	94,632,162
Transportation/Warehousing	Not reported	12,572	Not reported	Not reported
Information	58,583,519	61,535,329	21,653,784	4,491,761
Finance/Insurance	703,904	812,967	935,602	878,595
Real Estate/Rental Leasing	2,136,078	3,441,246	4,570,303	3,976,402
Professional/Scientific/Technical Services	923,664	595,225	667,467	798,204
Management of Companies/Enterprises	Not reported	Not reported	Not reported	Not reported
Admin/Support/Waste Mgmt/Remediation	11,704,450	17,592,600	19,574,125	5,424,978
Educational Services	17,550	Not reported	Not reported	Not reported
Health Care/Social Assistance	271,883	365,052	418,061	560,099
Arts/Entertainment/Recreation	279,102	352,230	397,929	310,199
Accommodation/Food Services	18,300,495	18,905,189	20,143,998	19,019,430
Other Services	4,413,946	5,073,070	5,455,775	4,091,985
Public Administration	Not reported	Not reported	Not reported	Not reported
Other	Not reported	Not reported	Not reported	Not reported
All Industries **	\$ <u>250,127,296</u>	\$ <u>272,015,277</u>	\$ <u>278,982,828</u>	\$ <u>174,153,105</u>
City direct sales tax rate	1.5% - 2.0%	2.0%	2.0%	2.0%

* Taxable Sales by Category is reported for 2015 and the previous nine years as the 2016 sales tax data is not available for the entire year.

** All Industries is a total of all industries reported and not reported.

Exhibit C-1

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 *</u>
\$ Not reported	\$ Not reported	\$ Not reported	\$ Not reported	\$ Not reported	\$ Not reported
2,008,723	1,956,774	4,254,136	7,659,569	8,207,850	3,506,637
Not reported	Not reported	Not reported	Not reported	Not reported	Not reported
3,919,083	6,717,183	10,253,984	8,504,872	8,481,587	7,449,839
33,107,010	35,914,700	37,701,888	44,001,189	55,055,193	34,653,427
29,565,209	40,868,599	39,492,521	23,650,358	31,334,281	15,624,696
99,019,926	108,641,919	119,659,859	118,152,346	119,787,476	110,563,511
Not reported	537	Not reported	Not reported	Not reported	Not reported
3,201,041	1,136,529	2,206,215	4,648,068	6,179,783	6,122,371
777,378	800,973	823,252	772,808	728,904	611,732
3,915,356	3,614,963	4,132,571	3,991,091	4,061,853	3,594,159
902,609	1,057,060	1,199,577	1,415,993	1,444,729	817,186
Not reported	Not reported	Not reported	Not reported	Not reported	Not reported
4,348,776	5,304,787	5,711,890	5,766,487	5,352,734	5,019,987
Not reported	Not reported	Not reported	Not reported	Not reported	Not reported
567,368	787,751	1,528,525	1,019,269	343,359	480,269
367,767	560,539	615,987	776,009	832,195	825,873
18,760,767	20,435,435	22,161,221	22,718,142	24,046,459	23,372,987
3,828,257	4,881,187	5,827,342	6,012,572	6,480,114	6,098,753
Not reported	Not reported	Not reported	Not reported	Not reported	Not reported
Not reported	Not reported	Not reported	Not reported	Not reported	Not reported
<u>\$ 205,401,077</u>	<u>\$ 236,177,159</u>	<u>\$ 258,069,687</u>	<u>\$ 249,411,627</u>	<u>\$ 272,336,517</u>	<u>\$ 219,066,846</u>
2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

City of Pampa, Texas

Exhibit C-2

**Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**

Tax Roll For Year Jan. 1	Fiscal Year	Assessed Value		Total Market Value*	Total Direct Tax Rate
		Real Property Value	Personal Property Value		
2006	2007	\$ 391,654,982	\$ 81,921,180	\$ 473,576,162	0.6950
2007	2008	421,951,543	87,781,115	509,732,658	0.6950
2008	2009	433,383,804	93,880,760	527,264,564	0.6900
2009	2010	509,262,355	90,600,967	599,863,322	0.6650
2010	2011	511,204,700	92,231,494	603,436,194	0.6269
2011	2012	531,476,356	80,840,085	612,316,441	0.6210
2012	2013	534,026,989	86,970,461	620,997,450	0.6210
2013	2014	560,096,730	108,506,050	668,602,780	0.6210
2014	2015	592,120,770	101,843,030	693,963,800	0.6210
2015	2016	603,432,260	92,154,300	695,586,560	0.6572

Note: Above assessed values reflected are before allowable exemptions are applied. Tax rates are per \$1,000 of assessed value.

* Taxes assess on October 1 of each year based on January 1 valuations.

City of Pampa, Texas

Exhibit C-3

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(rate per \$1,000 of assessed property)

Fiscal Year	City of Pampa Direct Rates				Overlapping Rates*	
	General Maintenance	Debt Service	Library Maintenance	Total Direct	Pampa Independent School District	Gray County
2007	0.473271	0.191729	0.030000	0.695000	1.325	0.473260
2008	0.468700	0.191300	0.030000	0.690000	1.375	0.446730
2009	0.463237	0.171763	0.030000	0.665000	1.369	0.432740
2010	0.501156	0.095774	0.030000	0.626930	1.369	0.446262
2011	0.505200	0.091730	0.030000	0.626930	1.369	0.529612
2012	0.498381	0.092646	0.030000	0.621027	1.309	0.529612
2013	0.498846	0.092181	0.030000	0.621027	1.309	0.497336
2014	0.504186	0.086841	0.030000	0.621027	1.309	0.497861
2015	0.477337	0.113690	0.030000	0.621027	1.309	0.487297
2016	0.520833	0.106342	0.030000	0.657175	1.309	0.535768

* Note: Analysis indicates approximately 33% of assessed values of Gray County are within the City Limits.

The maximum tax rate provided by City charter is \$2.50 of which the amount to be used for general purposes and the maintenance of streets is restricted to \$1.50

Taxes are assessed and collected by the Gray County Tax Assessor/Collector. Taxes are due October 1, and become delinquent February 1. Delinquent taxes are subject to 12% interest per annum plus a penalty of 6% to 12% in accordance with statutes.

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City of Pampa, Texas
Principal Property Taxpayers
Current year and nine years ago

Exhibit C-4

Taxpayer	2016			2007		
	Taxable Assessed Valuation	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total City Taxable Assessed Value
Southwestern Public Service	\$ 10,189,820	1	1.46%	\$ 6,827,390	2	1.44%
Wal-Mart Stores Inc.	8,613,160	2	1.24%	6,814,378	3	1.44%
Flogistix LP	6,523,610	3	0.94%	-	-	-
Atmos Energy/West Tex Division	5,448,000	4	0.78%	2,518,146	7	0.53%
Protea Hospitality LLC	5,291,230	5	0.76%	-	-	-
BNSF Railway Co	4,942,870	6	0.71%	2,123,228	9	0.45%
Wal-Mart Stores/Sam's Club	4,400,000	7	0.63%	6,465,060	4	1.37%
KRISU Hospitality LLC	4,211,800	8	0.61%	-	-	-
Culberson Rental Leasing CO Inc	4,052,910	9	0.58%	-	-	-
PMP Duncan LLC	3,800,250	10	0.55%	-	-	-
Pampa Regional Medical Center	-	-	-	15,369,430	1	3.25%
Southwestern Bell Telephone	-	-	-	4,636,708	5	0.98%
Terry Blumenfeld	-	-	-	2,567,330	6	0.54%
United Corporate Office	-	-	-	2,232,976	8	0.47%
POGO	-	-	-	2,107,070	10	0.44%
Total	\$ 57,473,650		8.26%	\$ 51,661,716		10.91%

Source: Gray County Appraisal District

City of Pampa, Texas
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended September 30	Total Tax Levy	Collected within the Fiscal Year of the Levy	
		Amount Collected	Percentage of Levy
2007	\$ 3,100,752	\$ 2,963,548	95.6%
2008	3,339,992	3,210,630	96.1%
2009	3,504,650	3,393,819	96.8%
2010	3,452,386	3,304,156	95.7%
2011	3,546,898	3,387,338	95.5%
2012	3,579,636	3,458,867	96.6%
2013	3,625,725	3,499,843	96.5%
2014	3,911,367	3,707,585	94.8%
2015	3,878,782	3,751,424	96.7%
2016	4,139,030	4,017,949	97.1%

Total Collections to Date			
	Collections in Subsequent Years	Total Collected	Percentage of Levy
\$	134,466	\$ 3,098,014	99.9%
	124,644	3,335,274	99.9%
	106,452	3,500,271	99.9%
	141,557	3,445,713	99.8%
	150,949	3,538,287	99.8%
	109,007	3,567,874	99.7%
	105,824	3,605,667	99.4%
	172,768	3,880,353	99.2%
	75,945	3,827,369	98.7%
	-	4,017,949	97.1%

City of Pampa, Texas
Ratios of Outstanding Debt By Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-type Activities		
	General Obligation Bonds	Capital Leases	Revenue Bonds & Certificates of Obligation	CRMWA Obligations	Capital Leases
2007	\$ 4,624,510	\$ 77,390	\$ 5,409,421	\$ 6,552,525	\$ 640,278
2008	4,509,512	49,157	6,714,419	6,268,362	461,924
2009	4,216,046	19,587	15,122,885	5,971,339	269,250
2010	3,766,207	142,498	14,492,724	6,532,462	50,138
2011	3,372,512	116,228	13,756,419	6,211,644	366,422
2012	5,933,979	91,899	13,696,021	8,851,260	372,898
2013	5,573,122	63,443	12,751,880	8,269,063	392,226
2014	5,225,379	33,824	11,784,624	7,804,417	241,566
2015	7,803,788	134,707	7,941,226	7,122,720	84,937
2016	7,382,606	91,214	7,002,394	6,646,000	134,392

(1) Source: United States Census
2000 Census Population: 17,787
2010 Census Population: 17,994

Exhibit D-1

<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita (1)</u>
\$ 17,304,124	3.93%	\$ 973
18,003,374	4.09%	1,012
25,599,107	5.17%	1,439
24,984,029	4.46%	1,388
23,823,225	4.60%	1,324
28,946,057	5.79%	1,609
27,049,734	5.61%	1,503
25,089,810	5.01%	1,394
23,087,378	4.50%	1,283
21,256,606	4.25%	1,181

City of Pampa, Texas
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Exhibit D-2

Fiscal Year	General Obligation Bonds	Resources Restricted for paying Debt Service	Net General Obligation Bonds Outstanding	Assessed Taxable Value	Ratio of Net General Obligation Bonds Outstanding to Assessed Taxable Value	Net General Obligation Bonds Outstanding Per Capita
2007	\$ 4,624,510	\$ 585,156	\$ 4,039,354	\$ 473,576,162	0.85%	\$ 227
2008	4,509,512	1,015,687	3,493,825	509,732,658	0.69%	196
2009	4,216,046	1,206,210	3,009,836	527,264,564	0.57%	169
2010	3,766,207	49,392	3,716,815	599,863,322	0.62%	207
2011	3,372,512	23,615	3,348,897	603,166,194	0.56%	186
2012	5,933,979	26,848	5,907,131	612,316,441	0.96%	328
2013	5,573,122	26,960	5,546,162	620,997,450	0.89%	308
2014	5,225,379	149,430	5,075,949	668,602,780	0.76%	282
2015	7,803,778	189,637	7,614,141	693,963,800	1.10%	423
2016	7,382,606	191,919	7,190,687	695,586,560	1.03%	400

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

See Exhibit C-2 for property value data.

City of Pampa, Texas
Direct and Overlapping Governmental Activities Debt
September 30, 2016

Exhibit D-3

	<u>Debt Outstanding</u>	<u>Estimated Percent Applicable*</u>	<u>Applicable Debt Outstanding</u>
Pampa Independent School District	\$ 63,327,150	49%	\$ 31,030,304
Gray County	999,294	33%	<u>329,767</u>
Total overlapping debt			31,360,071
City of Pampa			<u>7,382,606</u>
Total direct and overlapping debt			<u><u>\$ 38,742,677</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Gray County Appraisal District. Debt outstanding was provided by each government.

Note: 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 governments that is born by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden born 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.

* For debt repair 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

City of Pampa, Texas
Legal Debt Margin Information
Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Assessed value, before exemptions	\$ 473,576,162	\$ 509,732,658	\$ 527,264,564	\$ 599,863,322
Legal debt limit (10% of assessed value, before exemptions)	<u>\$ 47,357,616</u>	<u>\$ 50,973,266</u>	<u>\$ 52,726,456</u>	<u>\$ 59,986,332</u>
General obligation bonds	\$ 4,624,510	\$ 4,509,512	\$ 4,216,046	\$ 3,766,207
Less: Resources restricted for paying debt service	<u>585,156</u>	<u>1,015,687</u>	<u>1,206,210</u>	<u>49,392</u>
Total net general obligation bonds outstanding applicable to the limit	<u>\$ 4,039,354</u>	<u>\$ 3,493,825</u>	<u>\$ 3,009,836</u>	<u>\$ 3,716,815</u>
Computation of legal debt margin:				
Legal debt limit	\$ 47,357,616	\$ 50,973,266	\$ 52,726,456	\$ 59,986,332
Less: Net general obligation bonds outstanding	<u>4,039,354</u>	<u>3,493,825</u>	<u>3,009,836</u>	<u>3,716,815</u>
Legal debt margin	<u>\$ 43,318,262</u>	<u>\$ 47,479,441</u>	<u>\$ 49,716,620</u>	<u>\$ 56,269,517</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>8.53%</u>	<u>6.85%</u>	<u>5.71%</u>	<u>6.20%</u>

Exhibit D-4

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ <u>603,436,194</u>	\$ <u>612,316,441</u>	\$ <u>620,997,450</u>	\$ <u>668,602,780</u>	\$ <u>693,963,800</u>	\$ <u>695,586,560</u>
\$ <u>60,343,619</u>	\$ <u>61,231,644</u>	\$ <u>62,099,745</u>	\$ <u>66,860,278</u>	\$ <u>69,396,380</u>	\$ <u>69,558,656</u>
\$ 3,372,512	\$ 5,933,979	\$ 5,573,122	\$ 5,225,379	\$ 7,803,778	\$ 7,382,606
<u>23,615</u>	<u>26,848</u>	<u>26,960</u>	<u>149,430</u>	<u>189,637</u>	<u>191,919</u>
\$ <u>3,348,897</u>	\$ <u>5,907,131</u>	\$ <u>5,546,162</u>	\$ <u>5,075,949</u>	\$ <u>7,614,141</u>	\$ <u>7,190,687</u>
\$ 60,343,619	\$ 61,231,644	\$ 62,099,745	\$ 66,860,278	\$ 69,396,380	\$ 69,558,656
<u>3,348,897</u>	<u>5,907,131</u>	<u>5,546,162</u>	<u>5,075,949</u>	<u>7,614,141</u>	<u>7,190,687</u>
\$ <u>56,994,722</u>	\$ <u>55,324,513</u>	\$ <u>56,553,583</u>	\$ <u>61,784,329</u>	\$ <u>61,782,239</u>	\$ <u>62,367,969</u>
<u>5.55%</u>	<u>9.65%</u>	<u>8.93%</u>	<u>7.59%</u>	<u>10.97%</u>	<u>10.34%</u>

City of Pampa, Texas
Pledged Revenue Bond Coverage
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses Before Debt Service (2)</u>	<u>Net Revenues Available for Debt Service</u>
<u>Water & Sewer Fund</u>			
2007	\$ 5,479,658	\$ 3,938,478	\$ 1,541,180
2008	5,549,781	4,548,572	1,001,209
2009	6,411,647	4,624,334	1,787,313
2010	6,680,173	4,635,027	2,045,146
2011	7,833,264	4,560,758	3,272,506
2012	8,172,377	4,593,845	3,578,532
2013	8,156,934	4,760,391	3,396,543
2014	8,078,657	4,760,904	3,317,753
2015	8,001,551	5,040,710	2,960,841
2016	8,300,829	5,092,949	3,207,880
<u>Solid Waste Fund</u>			
2007	\$ 1,480,040	\$ 748,715	\$ 731,325
2008	1,437,059	928,839	508,220
2009	1,626,413	1,226,694	399,719
2010	1,637,664	1,310,778	326,886
2011	1,943,435	1,049,993	893,442
2012	1,889,043	1,109,870	779,173
2013	1,957,315	1,127,579	829,736
2014	2,145,923	989,975	1,155,948
2015	2,055,526	903,316	1,152,210
2016	2,144,893	1,003,605	1,141,288

Note: (1) Total revenue including interest, miscellaneous, and sales of materials and equipment.
(2) Expenses before debt service include total operating expenses exclusive of depreciation, amortization, interest, and fiscal charges.

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

Exhibit D-5 (continued)

	Debt Service			Times Coverage
	Principal	Interest	Total	
\$	431,075	\$ 165,956	\$ 597,031	2.6
	383,002	148,666	531,668	1.9
	255,590	213,197	468,787	3.8
	590,747	320,535	911,282	2.2
	629,016	264,553	893,569	3.7
	650,999	245,528	896,527	4.0
	739,375	251,078	990,453	3.4
	747,259	235,283	982,542	3.4
	734,246	215,364	949,610	3.1
	714,626	189,102	903,728	3.5
\$	220,000	\$ 133,872	\$ 353,872	2.1
	-	122,892	122,892	4.1
	184,800	122,892	307,692	1.3
	19,595	288,062	307,657	1.1
	77,282	197,992	275,274	3.2
	83,764	195,666	279,430	2.8
	173,064	193,135	366,199	2.3
	186,595	187,158	373,753	3.1
	190,726	160,881	351,607	3.3
	223,058	141,978	365,036	3.1

City of Pampa, Texas
Pledged Revenue Bond Coverage
Last Ten Fiscal Years

<u>Fiscal Year</u>		<u>Gross Revenues (1)</u>		<u>Operating Expenses Before Debt Service (2)</u>		<u>Net Revenues Available for Debt Service</u>
<u>Municipal Golf Course (3)</u>						
2009	\$	305,582	\$	467,381	\$	(161,799)
2010		282,806		450,458		(167,652)
2011		304,345		461,847		(157,502)
2012		336,063		472,390		(136,327)
2013		372,558		397,869		(25,311)
2014		338,287		400,040		(61,753)
2015		362,709		384,810		(22,101)
2016		322,265		390,523		(68,258)
<u>Aquatics Center (4)</u>						
2010	\$	418,204	\$	-	\$	418,204
2011		386,970		266,160		120,810
2012		359,080		360,837		(1,757)
2013		326,922		306,707		20,215
2014		310,010		284,358		25,652

- Note: (1) Total revenue including interest, miscellaneous, and sales of materials and equipment.
(2) Expenses before debt service include total operating expenses exclusive of depreciation, amortization, interest, and fiscal charges.
(3) The golf course did not have debt service requirements prior to FY2009, therefore only years with applicable debt service requirements are included.
(4) The aquatics center did not have debt service requirements prior to FY2010 and in FY2015 the outstanding debt was transferred to the governmental activities, therefore only years with applicable debt service requirements are included.

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

Exhibit D-5 (continued)

	Debt Service			Times
Principal	Interest	Total		Coverage
\$ 1,144	\$ 3,002	\$ 4,146	\$	-39.0
1,144	2,361	3,505		-47.8
1,144	2,321	3,465		-45.5
1,144	2,281	3,425		-39.8
1,144	2,241	3,385		-7.5
1,144	2,201	3,345		-18.5
1,144	2,161	3,305		-6.7
1,144	2,121	3,265		-20.9
\$ 18,676	\$ 162,330	\$ 181,006	\$	2.3
28,863	129,443	158,306		0.8
30,560	128,794	159,354		0.0
30,560	128,106	158,666		0.1
32,258	127,113	159,371		0.2

City of Pampa, Texas
Demographic and Economic Statistics
Last Ten Calendar Years

Exhibit E-1

<u>Year</u>	<u>* Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2016	23,210	\$ 500,292	\$ 21,555	37.0	3,645	6.2%
2015	23,044	513,536	22,285	37.7	3,838	5.9%
2014	23,043	500,908	21,738	38.0	3,706	2.8%
2013	22,975	482,268	20,991	38.4	3,619	4.1%
2012	22,978	499,680	21,746	38.2	3,687	3.7%
2011	22,535	517,606	22,969	39.1	3,593	5.2%
2010	22,744	560,700	24,653	37.0	3,446	7.5%
2009	22,248	495,151	22,256	39.3	3,397	7.7%
2008	21,000	440,550	20,979	39.3	3,397	3.7%
2007	21,919	440,550	20,099	39.0	3,400	3.5%

* Population includes the City of Pampa and the surrounding area in Gray County

Sources: Pampa Chamber of Commerce, the Pampa Independent School District, the Texas Workforce Commission, and the United States Census.

City of Pampa, Texas
Principal Employers
Current year and nine years ago

Exhibit E-2

Employer	2007		2016		Percentage of Total City Employment
	Number of Employees	Rank	Number of Employees	Rank	
Pampa Independent School District	502	1	571	1	7.01%
Pampa Regional Medical Center	307	4	339	2	4.16%
Texas Department of Criminal Justice	185	9	305	3	3.75%
Wal-Mart	278	6	275	4	3.38%
United	-	-	168	5	2.06%
Hunting Titan, Inc.	-	-	167	6	2.05%
City of Pampa	149	10	163	7	2.00%
Cabot Corporation	-	-	125	8	1.54%
Gray County	-	-	124	9	1.52%
National Oilwell Varco	430	2	75	10	0.92%
Halliburton	300	5	-	-	-
Celanese	330	3	-	-	-
Pampa West Texas Landscape	217	7	-	-	-
Hudson Drilling	190	8	-	-	-
	2,888		2,312		28.40%

Source: Pampa Chamber of Commerce

City of Pampa, Texas
Employees by Function/Program
Last Ten Fiscal Years

Exhibit F-1

FUNCTION/PROGRAM	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
GENERAL FUND										
Administrative Services	3	3	3	3	3	3	3	4	4	4
Financial Services	6	6	5	5	5	5	5	5	5	5
Municipal Court	3	2	2	2	2	2	2	2	2	1
Police Services										
Officers	28	28	27	25	25	25	25	25	25	25
Civilians	2	2	2	4	3	3	3	4	4	4
Fire										
Firefighters and officers	28	28	28	28	28	28	28	28	28	28
Civilians	0	0	0	0	0	0	0	0	0	0
Planning & Engineering	2	2	2	2	2	2	2	2	2	2
Street & Traffic Control	10	9	17	17	17	17	17	17	17	17
Parks Department	8	7	0	0	0	0	0	0	0	0
Recreation Department	2	2	2	2	2	2	2	3	4	3
Buildings & Grounds	1	2	2	1	1	1	1	0	1	1
Community Services	2	2	1	1	2	1	1	0	0	0
Code Enforcement	5	5	5	5	5	5	5	2	2	2
Animal Control	6	7	5	4	3	3	3	3	3	3
Dispatching Services	8	8	8	8	8	8	8	8	8	8
Emergency Management	1	1	1	1	1	1	1	1	1	1
Data Processing	2	2	1	1	1	1	1	1	1	1
Purchasing	0	0	0	0	0	0	0	0	0	0
Central Stores	0	0	0	0	0	0	0	0	0	0
Central Garage	0	0	0	0	0	0	0	0	0	0
Solid Waste Collection	8	8	7	7	6	6	6	6	6	6
Risk Management	0	0	0	0	0	0	0	0	0	0
SPECIAL REVENUE FUNDS										
M.K. Brown Auditorium	0	1	1	1	1	1	1	1	0	1
Lovett Memorial Library	6	6	7	7	7	7	7	7	7	7
ENTERPRISE FUNDS										
Municipal Utilities	10	10	10	10	10	10	10	10	10	10
Water Distribution	9	9	9	9	9	9	9	9	9	9
Wastewater Collection	6	7	7	5	5	5	5	5	5	5
Landfill Composting	1	1	1	0	0	0	0	0	0	0
Solid Waste Landfill	6	6	6	7	7	7	7	7	6	6
Golf Course	0	0	0	0	0	0	0	0	0	0
TOTAL	163	164	159	155	153	152	152	150	150	149

City of Pampa, Texas
Operating Indicators by Function/Program
Last Ten Fiscal Years

Exhibit F-2

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
Police										
Physical arrests	744	687	653	964	885	918	917	1,391	1,581	1,183
Parking violations	18	19	33	95	7	65	-	35	13	-
Traffic violations	5,035	4,146	1,717	6,406	4,693	6,462	4,219	5,529	6,486	4,214
Fire										
Emergency responses	1,642	1,615	1,657	1,326	1,276	1,264	1,023	1,013	1,093	914
Fires extinguished	102	75	105	97	156	160	96	141	167	136
Inspections	94	60	48	62	70	55	31	17	24	20
Refuse Collection										
Refuse collected (tons per day)	71	74	72	55	66	61	62	79	79	79
Number of Customers	7,358	7,474	7,538	7,523	7,489	7,463	7,427	7,504	7,548	7,513
Other Public Works										
Street resurfacing (sq. yards)	-	-	219,813	200,853	182,404	207,142	186,223	214,024	356,529	241,784
Potholes repaired	941	1,161	969	1,214	1,360	1,512	773	1,143	1,243	855
Parks and Recreation										
Number of City Parks	41	41	41	41	41	41	41	41	41	41
Acres Maintained	332	332	332	332	332	332	332	332	332	332
Number of Softball Leagues	4	4	4	15	6	4	3	7	7	8
Number of Volleyball Leagues	6	6	6	9	4	4	4	4	4	4
Number of Kickball Leagues	3	3	3	4	3	2	3	-	-	-
Number of Cornhole Leagues	2	2	2	-	-	-	-	-	-	-
Library										
Volumes in collection	50,134	48,804	44,626	57,147	47,825	47,307	48,139	55,207	65,125	69,072
Total volumes borrowed	476	426	426	336	301	156	967	613	238	238
Water										
Number of customers	8,119	8,268	8,307	8,312	8,267	8,193	8,104	8,211	8,271	8,199
Average daily consumption (thousands of gallons)	2,219	2,158	2,500	2,556	2,698	2,723	2,303	2,381	2,509	2,414
Wastewater										
Number of customers	7,463	7,590	7,621	7,633	7,605	7,535	7,449	7,548	7,586	7,533
City Landfill										
Solid Wasted Collected (tons/day)	175	176	193	176	197	171	185	195	208	192
Memorial Civic Center										
Auditorium Rentals	102	96	99	105	108	88	87	102	110	77
Aquatic Center										
Total Attendance	47,567	39,881	34,735	36,455	42,020	49,049	-	-	-	-
Days Open	96	92	80	84	89	80	-	-	-	-

Source: Various City Departments

City of Pampa, Texas
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Exhibit F-3

<u>FUNCTION/PROGRAM</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	2	2	2	2	2	2	2	2	2
Refuse Collections										
Collection Trucks	3	3	3	3	3	3	3	3	3	3
Other Public Works										
Streets	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9
Street Lights	1460	1460	1460	1460	1460	1460	1460	1460	1460	1460
Traffic Signals	12	12	12	12	12	12	12	12	12	12
Parks and Recreation										
Acreage	332	332	332	332	332	332	332	332	332	332
Playgrounds	39	39	39	39	39	39	39	39	39	39
Baseball/softball diamonds	13	13	13	13	13	13	13	13	13	13
Community Center	1	1	1	1	1	1	1	1	1	1
Jogging Trails (miles)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Water										
Water mains (miles)	160.5	160.5	160.5	160.5	160.5	160.5	160.5	160.5	160.5	160.5
Fire Hydrants	600	600	600	600	600	600	600	600	600	600
Storage capacity (million gallons)	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Wastewater										
Sanitary Sewers	115	115	115	115	115	115	115	115	115	115
Treatment capacity (mil. gallons)	3	3	3	3	3	3	3	3	3	3
Golf Courses	2	2	2	2	2	3	3	3	3	3

Source: Various City Departments

**INTERNAL CONTROL
AND
COMPLIANCE REQUIREMENTS**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

**Honorable Mayor Brad Pingel and City Commission
Pampa, Texas**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pampa, Texas (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 13, 2017. Our report includes a reference to other auditors who audited the financial statements of the Pampa Economic Development Corporation, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Honorable Mayor Brad Pingel and the City Commission
City of Pampa, Texas
Page two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Graham & Company, P.C.

Amarillo, Texas
March 13, 2017

**CITY OF PAMPA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the City of Pampa, Texas is an unmodified opinion.
- b. No control deficiencies, significant deficiencies, or material weaknesses in internal control were disclosed by the audit of the basic financial statements.
- c. Noncompliance which is material to the financial statements: None.

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with *Government Auditing Standards*:

The audit disclosed no findings required to be reported.

**CITY OF PAMPA
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

There were no significant deficiencies, material weaknesses, findings, questioned costs, or other matters which required reporting in the prior year. Therefore, there is nothing to report on this schedule.