

# 2018

## ANNUAL FINANCIAL REPORT

*For the Year Ended September 30, 2018*



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Granite Shoals TX, 78654 | 830.598.2424  
[www.graniteshoals.org](http://www.graniteshoals.org)

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*ANNUAL FINANCIAL REPORT*

of the

**City of Granite Shoals, Texas**

**For the Year Ended  
September 30, 2018**

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# City of Granite Shoals, Texas

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September 30, 2018

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## ***INDEPENDENT AUDITOR'S REPORT***

To the Honorable Mayor and  
Members of the City Council  
City of Granite Shoals, 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 Granite Shoals, Texas (the "City"), as of and for the year ended September 30, 2018, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note V.E. to the financial statements, due to the implementation of GASB No. 75, the City restated its beginning net position within governmental activities and business-type activities to properly reflect the total OPEB liability and related deferred outflows and inflows of resources, as prescribed by this accounting standard. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the general fund budgetary comparison information, the schedule of changes in net pension liabilities and related ratios, the schedule of employer contributions to pension plan, and schedule of changes in the other postemployment benefits liability and related ratios, 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 City of Granite Shoals, Texas's basic financial statements. The combining and individual nonmajor fund financial statements and debt service fund budget comparison are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

BrooksWatson & Co., PLLC  
Certified Public Accountants  
Houston, Texas  
April 22, 2019

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

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# City of Granite Shoals, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

### September 30, 2018

As management of the City of Granite Shoals, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information contained in this report.

#### **Financial Highlights**

- The City's total combined net position was \$8,696,794 at September 30, 2018. Of this, \$1,893,993 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$3,857,110, an increase of \$2,375,575.
- As of the end of the year, the unassigned fund balance of the general fund was \$1,252,190 or 42% of total general fund expenditures.
- The City had an overall increase in net position of \$879,703.

#### **Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

#### **Government-Wide Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses

# City of Granite Shoals, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2018

are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

### FUND FINANCIAL STATEMENTS

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

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

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

# City of Granite Shoals, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2018

The City adopts an annual appropriated budget for its general and debt service funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with their respective budget.

### **Proprietary Funds**

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

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, utility equipment reserve and the meter reader project funds, of which only the water fund is considered to be a major fund of the City.

### **Notes to Financial Statements**

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

### **Other Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Granite Shoals, assets exceed liabilities by \$8,696,794 as of September 30, 2018, in the primary government.

The largest portion of the City's net position, \$6,009,714, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to

**City of Granite Shoals, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2018**

provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

The following table reflects the condensed Statement of Net Position:

	2018			2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 4,887,945	\$ 1,204,628	\$ 6,092,573	\$ 1,783,876	\$ 1,135,117	\$ 2,918,993
Capital assets, net	7,363,521	8,887,659	16,251,180	6,465,136	8,985,149	15,450,285
<b>Total Assets</b>	<b>12,251,466</b>	<b>10,092,287</b>	<b>22,343,753</b>	<b>8,249,012</b>	<b>10,120,266</b>	<b>18,369,278</b>
<b>Deferred Outflows of Resources</b>	<b>71,382</b>	<b>16,743</b>	<b>88,125</b>	<b>93,791</b>	<b>22,076</b>	<b>115,867</b>
Other liabilities	966,753	459,382	1,426,135	201,184	508,489	709,673
Long-term liabilities	6,882,469	5,358,759	12,241,228	4,285,089	5,673,292	9,958,381
<b>Total Liabilities</b>	<b>7,849,222</b>	<b>5,818,141</b>	<b>13,667,363</b>	<b>4,486,273</b>	<b>6,181,781</b>	<b>10,668,054</b>
<b>Deferred Inflows of Resources</b>	<b>54,854</b>	<b>12,867</b>	<b>67,721</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Position:						
Net investment in capital assets	2,446,842	3,562,872	6,009,714	2,407,953	3,337,434	5,745,387
Restricted	793,087	-	793,087	670,618	-	670,618
Unrestricted	1,178,843	715,150	1,893,993	777,959	623,127	1,401,086
<b>Total Net Position</b>	<b>\$ 4,418,772</b>	<b>\$ 4,278,022</b>	<b>\$ 8,696,794</b>	<b>\$ 3,856,530</b>	<b>\$ 3,960,561</b>	<b>\$ 7,817,091</b>



**City of Granite Shoals, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2018**

**Statement of Activities:**

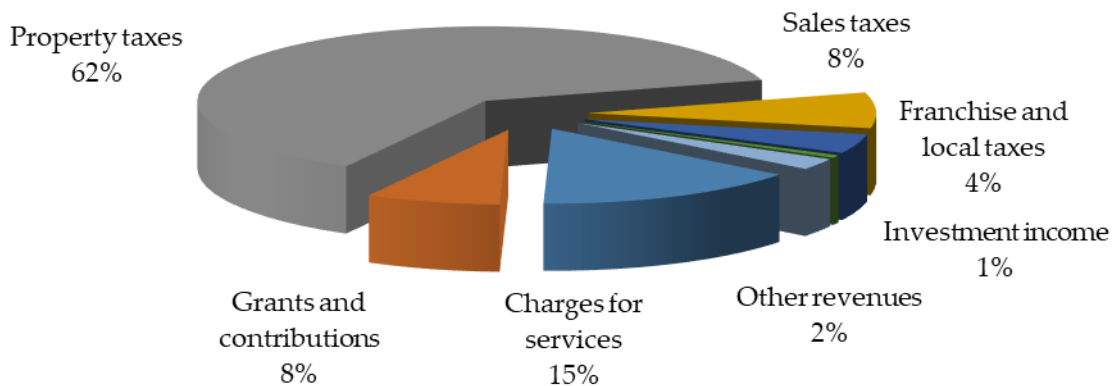
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2018			For the Year Ended September 30, 2017		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 619,713	\$ 2,406,167	\$ 3,025,880	\$ 599,888	\$ 2,296,261	\$ 2,896,149
Grants and contributions	313,201	231,525	544,726	305,338	17,663	323,001
General revenues:						
Property taxes	2,596,959	-	2,596,959	2,422,774	-	2,422,774
Sales taxes	321,268	-	321,268	307,514	-	307,514
Franchise and local taxes	174,882	-	174,882	162,776	-	162,776
Investment income	25,315	5,553	30,868	8,833	2,353	11,186
Other revenues	103,543	47,810	151,353	160,415	46,239	206,654
<b>Total Revenues</b>	<b>4,154,881</b>	<b>2,691,055</b>	<b>6,845,936</b>	<b>3,967,538</b>	<b>2,362,516</b>	<b>6,330,054</b>
<b>Expenses</b>						
General government	979,975	-	979,975	970,464	-	970,464
Public safety	1,628,319	-	1,628,319	1,437,054	-	1,437,054
Streets and parks	525,486	-	525,486	786,393	-	786,393
Animal control	69,409	-	69,409	83,314	-	83,314
Code compliance	137,327	-	137,327	140,093	-	140,093
Interest and fiscal charges	278,487	178,989	457,476	189,511	188,068	377,579
Utility	-	2,168,241	2,168,241	-	2,129,663	2,129,663
<b>Total Expenses</b>	<b>3,619,003</b>	<b>2,347,230</b>	<b>5,966,233</b>	<b>3,606,829</b>	<b>2,317,731</b>	<b>5,924,560</b>
<b>Change in Net Position</b>						
<b>Before Transfers</b>	<b>535,878</b>	<b>343,825</b>	<b>879,703</b>	<b>360,709</b>	<b>44,785</b>	<b>405,494</b>
Transfers	26,364	(26,364)	-	27,181	(27,181)	-
<b>Total</b>	<b>26,364</b>	<b>(26,364)</b>	<b>-</b>	<b>27,181</b>	<b>(27,181)</b>	<b>-</b>
<b>Change in Net Position</b>	<b>562,242</b>	<b>317,461</b>	<b>879,703</b>	<b>387,890</b>	<b>17,604</b>	<b>405,494</b>
Beginning Net Position	3,856,530	3,960,561	7,817,091	3,468,640	3,942,957	7,411,597
<b>Ending Net Position</b>	<b>\$ 4,418,772</b>	<b>\$ 4,278,022</b>	<b>\$ 8,696,794</b>	<b>\$ 3,856,530</b>	<b>\$ 3,960,561</b>	<b>\$ 7,817,091</b>

**City of Granite Shoals, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2018**

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

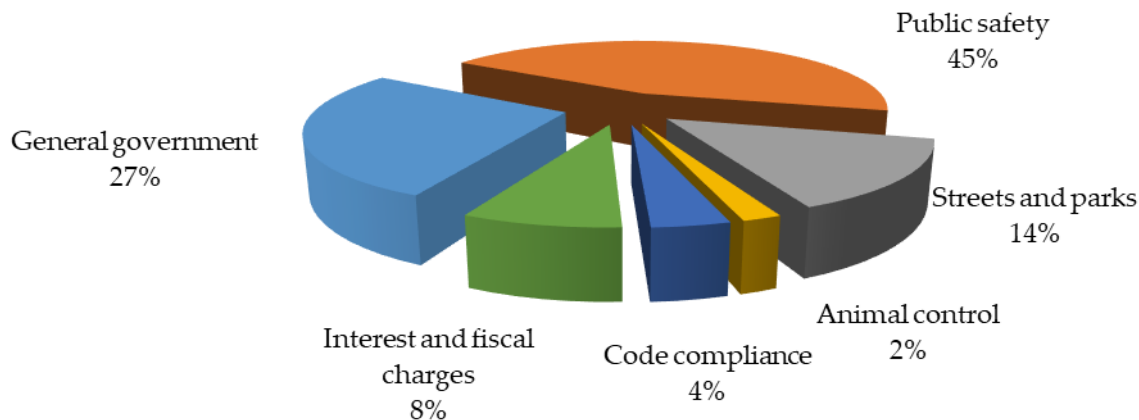
**Governmental Activities - Revenues**



For the year ended September 30, 2018, revenues from governmental activities totaled \$4,154,881. Property tax and charges for services are the City's largest revenue sources. Property tax increased by \$174,185 or 7% when compared to 2017 due to an increase in overall assessed property values and an increase in the property tax rate. Investment income increased by \$16,482 due to increased interest-bearing cash accounts. Other revenues decreased \$56,872 or 35% due primarily to decreased tower lease fees in the current year. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:

**Governmental Activities - Expenses**



For the year ended September 30, 2018, expenses for governmental activities totaled \$3,619,003. This represents an increase of \$12,174 from the prior year. The City's largest functional expense is public safety of \$1,628,319, which increased by \$191,265 or 13% from the prior year. The increase was

# City of Granite Shoals, Texas

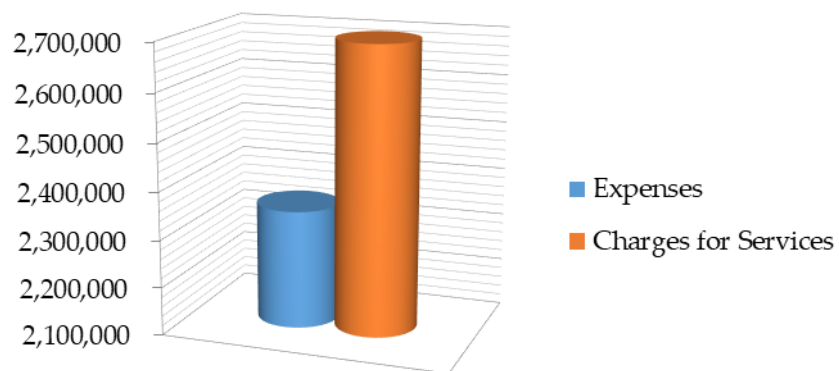
## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2018

primarily related to personnel costs. Streets and parks expenditures decreased by \$260,907 or 33%. This decrease is primarily due to the City's street paving initiative and nonrecurring park improvements in the previous year. Animal control decreased by \$13,905 or 17%, due to a decrease in personnel costs. Interest and fiscal charges increased by \$88,976 or 47% due to the recognition of debt issuance costs in the current year, as a result of the City issuing refunding bonds. All other expenditures remained relatively consistent with the previous year.

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

### Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2018, charges for services by business-type activities totaled \$2,406,167. This is an increase of \$109,906, or 5%, from the previous year. This increase is a result of increased utility consumption.

Total operating expenses increased by \$38,578 or 2% during the year, which is considered consistent with the prior year. All other business-type expenses were relatively consistent.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

# **City of Granite Shoals, Texas**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued***

### **September 30, 2018**

As of the end of the year the general fund reflected a total fund balance of \$1,252,190, which is entirely unassigned. The general fund increased by \$441,273 primarily as a result of transfers in from other funds.

The debt service fund had an ending fund balance of \$396,701 at year end, a decrease of \$10,991 from the prior year. Total principal and interest payments made during the year were \$438,498 and \$175,607, respectively.

The capital projects fund had an ending fund balance of \$1,811,833. Fiscal year 2018 was the initial year of this fund. The ending fund balance was primarily a result of proceeds received from the bond issuance in the current year.

There was an overall increase in governmental fund balance of \$2,375,575 from the prior year. The increase was primarily related to proceeds from the issuance of debt in the capital projects fund.

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

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

There was a total positive revenue variance of \$97,119 and a positive expenditure variance of \$302,142 for the year. Other financing sources (uses) had an overall positive budget variance of \$1,826. There was a total positive net budget variance of \$401,087. No general fund expenditures exceeded appropriations in the current year.

#### **CAPITAL ASSETS**

As of the end of the year, the City's governmental activities funds had invested \$7,363,521 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$8,887,659 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Street investments totaling \$1,101,868 for Phillips Ranch Rd, Prairie Creek Rd and Valley View Ln.
- City hall remodel investments totaling \$166,023.
- Water system improvements of \$219,488.

**City of Granite Shoals, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued***  
**September 30, 2018**

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

**LONG-TERM DEBT**

At the end of the current year, the City had total bonds and notes outstanding of \$12,053,298. The City issued \$3,000,000 of general obligation refunding bonds in the current year. During the year, the City made payments on the long-term debt of \$736,051. More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Granite Shoals and improving services provided to their public citizens. The City is budgeting to maintain services in the upcoming year and does not anticipate significant changes from fiscal year ending September 30, 2018.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City of Granite Shoals' finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Finance Director, 2221 N. Phillips Ranch Road, Granite Shoals, Texas 78654.

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## ***FINANCIAL STATEMENTS***

**City of Granite Shoals, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**September 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 4,701,240	\$ 537,337	\$ 5,238,577
Restricted cash - deposits	-	333,430	333,430
Receivables, net	186,705	333,661	520,366
Prepaid items	-	200	200
<b>Total Current Assets</b>	<b>4,887,945</b>	<b>1,204,628</b>	<b>6,092,573</b>
Capital assets:			
Non-depreciable	3,222,423	19,802	3,242,225
Net depreciable capital assets	4,141,098	8,867,857	13,008,955
<b>Total Noncurrent Assets</b>	<b>7,363,521</b>	<b>8,887,659</b>	<b>16,251,180</b>
<b>Total Assets</b>	<b>12,251,466</b>	<b>10,092,287</b>	<b>22,343,753</b>
<b><u>Deferred Outflows of Resources</u></b>			
Pension contributions	52,128	12,227	64,355
OPEB contributions	415	97	512
OPEB gains/losses	3,184	747	3,931
Pension gains/losses	15,655	3,672	19,327
<b>Total Deferred Outflows of Resources</b>	<b>71,382</b>	<b>16,743</b>	<b>88,125</b>



**City of Granite Shoals, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**September 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable and accrued liabilities	898,812	99,665	998,477
Customer deposits	-	333,430	333,430
Accrued interest payable	67,941	26,287	94,228
Current portion of long-term debt	747,845	313,020	1,060,865
<b>Total Current Liabilities</b>	<b>1,714,598</b>	<b>772,402</b>	<b>2,487,000</b>
Noncurrent liabilities:			
Long-term debt	6,045,963	5,024,941	11,070,904
OPEB liability	48,679	11,419	60,098
Net pension liability	39,982	9,379	49,361
<b>Total Noncurrent Liabilities</b>	<b>6,134,624</b>	<b>5,045,739</b>	<b>11,180,363</b>
<b>Total Liabilities</b>	<b>7,849,222</b>	<b>5,818,141</b>	<b>13,667,363</b>
<b><u>Deferred Inflows of Resources</u></b>			
Pension experience	19,884	4,664	24,548
Pension investment returns	34,970	8,203	43,173
<b>Total Deferred Inflows of Resources</b>	<b>54,854</b>	<b>12,867</b>	<b>67,721</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	2,446,842	3,562,872	6,009,714
Restricted for:			
Streets and parks	232,280	-	232,280
Tourism	135,772	-	135,772
Municipal court	28,334	-	28,334
Debt service	396,701	-	396,701
Unrestricted	1,178,843	715,150	1,893,993
<b>Total Net Position</b>	<b>\$ 4,418,772</b>	<b>\$ 4,278,022</b>	<b>\$ 8,696,794</b>

See Notes to Financial Statements.

# City of Granite Shoals, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General government	\$ 979,975	\$ 380,314	\$ 313,201
Public safety	1,628,319	122,125	-
Streets and parks	525,486	117,274	-
Animal control	69,409	-	-
Code compliance	137,327	-	-
Interest and fiscal charges	278,487	-	-
<b>Total Governmental Activities</b>	<b>3,619,003</b>	<b>619,713</b>	<b>313,201</b>
<b>Business-Type Activities</b>			
Water	1,730,661	2,004,446	-
Solid Waste	616,569	653,207	-
Nonmajor proprietary funds	-	27,849	-
<b>Total Business-Type Activities</b>	<b>2,347,230</b>	<b>2,685,502</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 5,966,233</b>	<b>\$ 3,305,215</b>	<b>\$ 313,201</b>

### General Revenues:

Taxes

Property taxes

Sales taxes

Franchise and local taxes

Investment income

Other revenues

Gain (loss) on sale of capital assets

### Transfers

### Total General Revenues and Transfers

### Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

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

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (286,460)	\$ -	\$ (286,460)
(1,506,194)	-	(1,506,194)
(408,212)	-	(408,212)
(69,409)	-	(69,409)
(137,327)	-	(137,327)
(278,487)	-	(278,487)
<u>(2,686,089)</u>	<u>-</u>	<u>(2,686,089)</u>
-	273,785	273,785
-	36,638	36,638
-	27,849	27,849
<u>-</u>	<u>338,272</u>	<u>338,272</u>
<u>(2,686,089)</u>	<u>338,272</u>	<u>(2,347,817)</u>
2,596,959	-	2,596,959
321,268	-	321,268
174,882	-	174,882
25,315	5,553	30,868
99,544	-	99,544
3,999	-	3,999
26,364	(26,364)	-
<u>3,248,331</u>	<u>(20,811)</u>	<u>3,227,520</u>
562,242	317,461	879,703
3,856,530	3,960,561	7,817,091
<u>\$ 4,418,772</u>	<u>\$ 4,278,022</u>	<u>\$ 8,696,794</u>

# City of Granite Shoals, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2018

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 1,382,648	\$ 2,545,109	\$ 396,701	\$ 376,782
Receivables, net	95,888	-	62,654	28,163
<b>Total Assets</b>	<b>\$ 1,478,536</b>	<b>\$ 2,545,109</b>	<b>\$ 459,355</b>	<b>\$ 404,945</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 156,977	\$ 733,276	\$ -	\$ 8,559
<b>Total Liabilities</b>	<b>156,977</b>	<b>733,276</b>	<b>-</b>	<b>8,559</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue:				
Property tax	69,369	-	62,654	-
<b>Total Deferred Inflows of Resources</b>	<b>69,369</b>	<b>-</b>	<b>62,654</b>	<b>-</b>
<b><u>Fund Balances</u></b>				
Restricted for:				
Streets and parks	-	-	-	232,280
Tourism	-	-	-	135,772
Capital projects	-	1,811,833	-	-
Municipal court	-	-	-	28,334
Debt service	-	-	396,701	-
Unassigned reported in:				
General fund	1,252,190	-	-	-
<b>Total Fund Balances</b>	<b>1,252,190</b>	<b>1,811,833</b>	<b>396,701</b>	<b>396,386</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,478,536</b>	<b>\$ 1,968,810</b>	<b>\$ 459,355</b>	<b>\$ 404,945</b>

See Notes to Financial Statements.

<b>Total Governmental Funds</b>	
<hr/>	
\$	4,701,240
	186,705
\$	<hr/> 4,887,945 <hr/>

\$	898,812
	<hr/> 898,812 <hr/>

	<hr/> 132,023 <hr/>
--	---------------------

	<hr/> 132,023 <hr/>
--	---------------------

	232,280
	135,772
	1,811,833
	28,334
	396,701
	<hr/> 1,252,190 <hr/>
	<hr/> 3,857,110 <hr/>
\$	<hr/> 4,887,945 <hr/>

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# City of Granite Shoals, Texas

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

September 30, 2018

<b>Fund Balances - Total Governmental Funds</b>	<b>\$ 3,857,110</b>
---	---------------------

### Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable	3,222,423
----------------------------------	-----------

Capital assets - net depreciable	4,141,098
----------------------------------	-----------

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Property tax receivable	132,023
-------------------------	---------

Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/expenditures) until then.

Pension contributions	52,128
-----------------------	--------

OPEB contributions	415
--------------------	-----

Pension experience	(19,884)
--------------------	----------

Pension investment returns	(34,970)
----------------------------	----------

Pension (gains) losses	15,655
------------------------	--------

OPEB (gains) losses	3,184
---------------------	-------

Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

Accrued interest	(67,941)
------------------	----------

Compensated absences	(65,297)
----------------------	----------

Bonds, notes, and capital leases	(6,728,511)
----------------------------------	-------------

Net pension liability	(39,982)
-----------------------	----------

OPEB liability	(48,679)
----------------	----------

<b>Net Position of Governmental Activities</b>	<b>\$ 4,418,772</b>
--	---------------------

See Notes to Financial Statements.

# City of Granite Shoals, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2018

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds
<b><u>Revenues</u></b>				
Property tax	\$ 1,601,779	\$ -	\$ 992,869	\$ -
Sales tax	160,634	-	-	160,634
Franchise and local taxes	155,247	-	-	19,635
Intergovernmental	308,217	-	-	-
Charges for services	359,984	-	-	20,330
License and permits	117,274	-	-	-
Fines and forfeitures	107,724	-	-	14,401
Investment income	18,301	1,043	4,410	1,561
Contributions and donations	-	-	-	4,984
Other revenue	48,866	-	-	50,678
<b>Total Revenues</b>	<b>2,878,026</b>	<b>1,043</b>	<b>997,279</b>	<b>272,223</b>
<b><u>Expenditures</u></b>				
Current:				
General government	875,546	-	-	4,396
Public safety	1,482,173	-	-	3,534
Streets and parks	393,702	-	-	130,833
Animal control	71,759	-	-	-
Code compliance	136,620	-	-	-
Debt Service:				
Principal	-	-	438,498	-
Interest and fiscal charges	-	-	175,607	-
Debt issuance costs	-	63,494	-	-
Capital outlay	11,308	1,125,716	-	-
<b>Total Expenditures</b>	<b>2,971,108</b>	<b>1,189,210</b>	<b>614,105</b>	<b>138,763</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(93,082)</b>	<b>(1,188,167)</b>	<b>383,174</b>	<b>133,460</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	420,529	-	-	-
Transfers (out)	-	-	(394,165)	-
Proceeds from debt issuance	109,827	3,000,000	-	-
Gain (loss) on sale of capital assets	3,999	-	-	-
<b>Total</b>	<b>534,355</b>	<b>3,000,000</b>	<b>(394,165)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>441,273</b>	<b>1,811,833</b>	<b>(10,991)</b>	<b>133,460</b>
Beginning fund balances	810,917	-	407,692	262,926
<b>Ending Fund Balances</b>	<b>\$ 1,252,190</b>	<b>\$ 1,811,833</b>	<b>\$ 396,701</b>	<b>\$ 396,386</b>

See Notes to Financial Statements.



**Total  
Governmental  
Funds**

---

\$	2,594,648
	321,268
	174,882
	308,217
	380,314
	117,274
	122,125
	25,315
	4,984
	99,544
	<hr/> 4,148,571 <hr/>

879,942
1,485,707
524,535
71,759
136,620

438,498
175,607
63,494
1,137,024

<hr/> 4,913,186 <hr/>
-----------------------

(764,615)
-----------

420,529
(394,165)
3,109,827
3,999

<hr/> 3,140,190 <hr/>
-----------------------

2,375,575
1,481,535

\$	<hr/> 3,857,110 <hr/>
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**City of Granite Shoals, Texas**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2018**

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

Net changes in fund balances - total governmental funds	\$ 2,375,575
---	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,211,575
Depreciation expense	(313,190)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,311
--	-------

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

Compensated absences	8,404
Accrued interest	(39,386)
Pension expense	(6,748)
OPEB expense	(4,970)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of long-term debt	(3,109,827)
Principal payments	438,498

<b>Change in Net Position of Governmental Activities</b>	<b>\$ 562,242</b>
--	-------------------

See Notes to Financial Statements.

**City of Granite Shoals, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**PROPRIETARY FUNDS**  
**September 30, 2018**

	Water	Solid Waste	Nonmajor Proprietary Funds	Total
<b><u>Assets</u></b>				
<b><u>Current Assets</u></b>				
Cash and cash equivalents	\$ 350,714	\$ 36,298	\$ 150,325	\$ 537,337
Restricted cash - deposits	333,430	-	-	333,430
Receivables, net	226,998	106,663	-	333,661
Prepaid items	200	-	-	200
<b>Total Current Assets</b>	<b>911,342</b>	<b>142,961</b>	<b>150,325</b>	<b>1,204,628</b>
<b><u>Noncurrent Assets</u></b>				
Capital assets:				
Non-depreciable	19,802	-	-	19,802
Net depreciable capital assets	8,867,857	-	-	8,867,857
<b>Total Noncurrent Assets</b>	<b>8,887,659</b>	<b>-</b>	<b>-</b>	<b>8,887,659</b>
<b>Total Assets</b>	<b>9,799,001</b>	<b>142,961</b>	<b>150,325</b>	<b>10,092,287</b>
<b><u>Deferred Outflows of Resources</u></b>				
Pension contributions	12,227	-	-	12,227
OPEB contributions	97	-	-	97
OPEB gains/losses	747	-	-	747
Pension gains/losses	3,672	-	-	3,672
<b>Total Deferred Outflows of Resources</b>	<b>16,743</b>	<b>-</b>	<b>-</b>	<b>16,743</b>

**City of Granite Shoals, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**PROPRIETARY FUNDS**  
**September 30, 2018**

	Water	Solid Waste	Nonmajor Proprietary Funds	Total
<b><u>Liabilities</u></b>				
<b><u>Current Liabilities</u></b>				
Accounts payable				
and accrued liabilities	41,976	57,689	-	99,665
Customer deposits	333,430	-	-	333,430
Accrued interest payable	26,287	-	-	26,287
Current portion of long-term debt	313,020	-	-	313,020
<b>Total Current Liabilities</b>	<b>714,713</b>	<b>57,689</b>	<b>-</b>	<b>772,402</b>
<b><u>Noncurrent Liabilities</u></b>				
Long-term debt	5,024,941	-		5,024,941
OPEB liability	11,419	-	-	11,419
Net pension liability	9,379	-	-	9,379
<b>Total Liabilities</b>	<b>5,760,452</b>	<b>57,689</b>	<b>-</b>	<b>5,818,141</b>
<b><u>Deferred Inflows of Resources</u></b>				
Pension experience	4,664	-	-	4,664
Pension investment returns	8,203	-	-	8,203
<b>Total Deferred Inflows of</b>	<b>12,867</b>	<b>-</b>	<b>-</b>	<b>12,867</b>
<b><u>Net Position</u></b>				
Net investment in capital assets	3,562,872	-	-	3,562,872
Unrestricted	479,553	85,272	150,325	715,150
<b>Total Net Position</b>	<b>\$ 4,042,425</b>	<b>\$ 85,272</b>	<b>\$ 150,325</b>	<b>\$ 4,278,022</b>

See Notes to Financial Statements.

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# City of Granite Shoals, Texas

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

For the Year Ended September 30, 2018

	Water	Solid Waste	Nonmajor Proprietary Funds	Total
<b><u>Operating Revenues</u></b>				
Charges for services	\$ 1,725,111	\$ 653,207	\$ 27,849	\$ 2,406,167
Grant revenue	231,525	-	-	231,525
Other revenue	47,810	-	-	47,810
<b>Total Operating Revenues</b>	<b>2,004,446</b>	<b>653,207</b>	<b>27,849</b>	<b>2,685,502</b>
<b><u>Operating Expenses</u></b>				
Salaries and wages	325,739	28,260	-	353,999
Employee benefits	96,830	10,118	-	106,948
Professional services	25,730	550,251	-	575,981
Other operating expenses	589,639	27,940	-	617,579
Supplies	94,332	-	-	94,332
Water purchase	61,751	-	-	61,751
Depreciation	357,651	-	-	357,651
<b>Total Operating Expenses</b>	<b>1,551,672</b>	<b>616,569</b>	<b>-</b>	<b>2,168,241</b>
<b>Operating Income (Loss)</b>	<b>452,774</b>	<b>36,638</b>	<b>27,849</b>	<b>517,261</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Investment earnings	5,397	-	156	5,553
Interest expense	(178,989)	-	-	(178,989)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(173,592)</b>	<b>-</b>	<b>156</b>	<b>(173,436)</b>
<b>Income (Loss) Before Transfers</b>	<b>279,182</b>	<b>36,638</b>	<b>28,005</b>	<b>343,825</b>
Transfers in	495,040	-	-	495,040
Transfers (out)	(400,813)	(19,716)	(100,875)	(521,404)
<b>Change in Net Position</b>	<b>373,409</b>	<b>16,922</b>	<b>(72,870)</b>	<b>317,461</b>
Beginning net position	3,669,016	68,350	223,195	3,960,561
<b>Ending Net Position</b>	<b>\$ 4,042,425</b>	<b>\$ 85,272</b>	<b>\$ 150,325</b>	<b>\$ 4,278,022</b>

See Notes to Financial Statements.

# City of Granite Shoals, Texas

## STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2018

	Water	Solid Waste	Nonmajor Proprietary Funds	Total
<b><u>Cash Flows from Operating Activities</u></b>				
Receipts from customers	\$ 2,021,000	\$ 649,819	\$ 27,849	\$ 2,698,668
Payments to suppliers	(941,793)	(581,138)	-	(1,522,931)
Payments to employees	(322,913)	(29,866)	-	(352,779)
<b>Net Cash Provided by Operating Activities</b>	<b>756,294</b>	<b>38,815</b>	<b>27,849</b>	<b>822,958</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>				
Transfer in	408,803	-	-	408,803
Transfer (out)	(400,813)	(19,716)	(14,638)	(435,167)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>7,990</b>	<b>(19,716)</b>	<b>(14,638)</b>	<b>(26,364)</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>				
Capital purchases	(248,161)	-	(12,000)	(260,161)
Principal paid on debt	(297,553)	-	-	(297,553)
Interest paid on debt	(180,230)	-	-	(180,230)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>(725,944)</b>	<b>-</b>	<b>(12,000)</b>	<b>(737,944)</b>
<b><u>Cash Flows from Investing Activities</u></b>				
Interest on investments	5,397	-	156	5,553
<b>Net Cash Provided by Investing Activities</b>	<b>5,397</b>	<b>-</b>	<b>156</b>	<b>5,553</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>43,737</b>	<b>19,099</b>	<b>1,367</b>	<b>64,203</b>
Beginning cash and cash equivalents	640,407	17,199	148,958	806,564
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 684,144</b>	<b>\$ 36,298</b>	<b>\$ 150,325</b>	<b>\$ 870,767</b>

See Notes to Financial Statements.



# City of Granite Shoals, Texas

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2018

	Water	Solid Waste	Nonmajor Proprietary Funds	Total
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u></b>				
Operating Income (Loss)	\$ 452,774	\$ 36,638	\$ 27,849	\$ 517,261
Adjustments to reconcile operating income (loss) to net cash provided:				
Depreciation	357,651	-	-	357,651
<b>Changes in Operating Assets and Liabilities:</b>				
<b>(Increase) Decrease in:</b>				
Accounts receivable	(2,623)	(3,388)	-	(6,011)
Prepaid expenses	703	-	-	703
Deferred Outflows of Resources:				
Pension contributions	216	-	-	216
Actual experience vs. assumption	(2,443)	-	-	(2,443)
OPEB contributions	2	-	-	2
OPEB Actual experience vs. assumption	(747)	-	-	(747)
Deferred Inflows of Resources:				
Investment earnings and returns	21,172	-	-	21,172
<b>Increase (Decrease) in:</b>				
Accounts payable and accrued liabilities	(74,214)	7,171	-	(67,043)
Customer deposits	19,177	-	-	19,177
Compensated absences	-	(1,606)	-	(1,606)
OPEB liability	1,987	-	-	1,987
Net pension liability	(17,361)	-	-	(17,361)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 756,294</b>	<b>\$ 38,815</b>	<b>\$ 27,849</b>	<b>\$ 822,958</b>

### **Schedule of Noncash Capital Activities and Relating Financing Activities**

Transfer of long term debt	\$ (527,801)	\$ -	\$ 527,801	\$ -
Transfer of capital assets	\$ 614,038	\$ -	\$ (614,038)	\$ -

See Notes to Financial Statements.

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# City of Granite Shoals, Texas

## NOTES TO FINANCIAL STATEMENTS

September 30, 2018

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of Government-Wide Financial Statements

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

#### B. Reporting Entity

The City of Granite Shoals, Texas, was incorporated on May 9, 1966. The City operates under a "Council-Manager" government. Pursuant to its provisions and subject only to its limitations imposed by the State Constitution and by the City's charter, all powers of the City shall be vested in an elective Council composed of six Council Members and a Mayor, collectively known as the City Council. The City Council enacts local legislation, adopts budgets, determines policies, and appoints the City Manager, who in turn is responsible to the City Council for the execution of laws and the administration of the government of the City. The Mayor is the presiding officer of the City Council. The City provides the following services: public safety, highways, streets, sanitation and water, recreation, public improvements, planning and zoning, general administrative, and other services as authorized by its code of ordinances and its citizens.

The City is an independent political subdivision of the State of Texas governed by an elected council and is considered a primary government for financial reporting purposes as its activities are not considered a part of any other governmental or other type of reporting entity. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

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

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

The government reports the following major governmental funds:

**General Fund**

The general fund is the main operating fund of the City and is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, health and welfare and sanitation.

**Debt Service Fund**

The debt service fund is used to account for the payment of interest and principal on all general obligation debt and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes.

# **City of Granite Shoals, Texas**

## ***NOTES TO FINANCIAL STATEMENTS, Continued***

### **September 30, 2018**

#### **Capital Projects Fund**

The capital projects fund is used to account for the expenditures of resources accumulated from general obligation bonds, tax notes, related interest earnings, and other sources for capital improvement projects.

#### **Proprietary Fund Types**

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

#### **Water Fund**

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

#### **Solid Waste Fund**

The solid waste fund is used to account for the City's sanitation service operations. Activities of the fund include administration, professional collection and disposal of garbage, and billing and collection activities. All costs are financed through charges to solid waste customers with rates reviewed regularly and adjusted if necessary to ensure fund integrity.

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

Additionally, the government reports the following fund types:

**Special Revenue Funds**

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund. These funds consist of the economic development fund and police forfeitures fund.

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

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

**D. Measurement Focus and Basis of Accounting**

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

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

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

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

**E. Estimates**

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

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

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

# City of Granite Shoals, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2018

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

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

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

## **2. Fair Value Measurement**

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

## **3. Receivables and Interfund Transactions**

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

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

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



**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**4. Property Taxes**

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

**5. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

**6. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

<b>Asset Description</b>	<b>Estimated Useful Life</b>
Vehicles	5 years
Machinery and equipment	5 to 7 years
Water system	20 to 40 years
Buildings and improvements	30 years
Infrastructure	20 to 40 years

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

**8. Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

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

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

**9. Fund Balance Flow Assumptions**

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

**10. Fund Balance Policies**

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance.

Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**11. Compensated Absences**

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

Upon separation from the City, employees will be paid for their accrued and unused vacation pay benefits earned in the year.

Sick leave accrues to eligible employees to specified maximums, including the maximum number of hours that can be carried over from the previous year. Unused sick leave will be canceled upon termination of employment, and the employee will not be compensated for it.

The estimated amount of accrued vacation benefits that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it upon maturity. Amounts of accrued vacation pay benefits that are not expected to be liquidated with expendable available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

**12. Long-Term Obligations**

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

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

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

# **City of Granite Shoals, Texas**

## **NOTES TO FINANCIAL STATEMENTS, Continued**

### **September 30, 2018**

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

#### **13. Pensions**

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

#### **14. Other Postemployment Benefits ("OPEB")**

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

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

**2. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the water fund are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt

# City of Granite Shoals, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2018

is first issued, whereas these amounts are deferred and amortized in the statement of activities.”  
A reconciliation has been presented in the basic financial statements.

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, water, and special revenue funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the fund level. No funds can be transferred or added to a budgeted fund without Council approval. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

### IV. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

As of September 30, 2018, the primary government had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity (Years)
External investment pools	\$ 815,145	0.08
Total fair value	\$ 815,145	
Portfolio weighted average maturity		0.08

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

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

*Custodial credit risk – deposits* In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities

# City of Granite Shoals, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2018

that have a market value of not less than the principal amount of the deposits. The City's investment policy requires funds on bank deposit at the depository bank to be collateralized by securities with a collective market value (market value of the principal and accrued interest) of at least 102%. As of September 30, 2018, the market values of pledged securities and FDIC exceeded bank balances.

*Custodial credit risk – investments* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

#### **TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. At September 30, 2018, the fair value of the position in TexPool approximates fair value of the shares. There are no limitation or restrictions on withdrawals.

#### **B. Receivables**

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

	<b>General</b>	<b>Debt Service</b>	<b>Water</b>	<b>Solid Waste</b>	<b>Other Nonmajor Funds</b>	<b>Total</b>
Property taxes	\$ 69,369	\$ 62,654	\$ -	\$ -	\$ -	\$ 132,023
Sales tax	26,519	-	-	-	26,518	53,037
Accounts	-	-	238,708	106,663	1,645	347,016
Allowance	-	-	(11,710)	-	-	(11,710)
	<u>\$ 95,888</u>	<u>\$ 62,654</u>	<u>\$ 226,998</u>	<u>\$ 106,663</u>	<u>\$ 28,163</u>	<u>\$ 520,366</u>



**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**C. Capital Assets**

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

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases/ Reclassifications</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land	\$ 1,725,805	\$ -	\$ -	\$ 1,725,805
Construction in progress	-	1,101,868	-	1,101,868
Mineral rights	394,750	-	-	394,750
Total capital assets not being depreciated	<u>2,120,555</u>	<u>1,101,868</u>	<u>-</u>	<u>3,222,423</u>
Capital assets, being depreciated:				
Buildings and improvements	4,059,300	-	-	4,059,300
Improvements & infrastructure	1,276,975	5,000	-	1,281,975
Machinery & equipment	2,001,767	104,707	-	2,106,474
Total capital assets being depreciated	<u>7,338,042</u>	<u>109,707</u>	<u>-</u>	<u>7,447,749</u>
Less accumulated depreciation				
Buildings and improvements	1,001,422	103,744	-	1,105,166
Improvements & infrastructure	401,065	59,898	-	460,963
Machinery & equipment	1,590,974	149,548	-	1,740,522
Total accumulated depreciation	<u>2,993,461</u>	<u>313,190</u>	<u>-</u>	<u>3,306,651</u>
Net capital assets being depreciated	4,344,581	(203,483)	-	4,141,098
<b>Total Net Capital Assets</b>	<u><u>\$ 6,465,136</u></u>	<u><u>\$ 898,385</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,363,521</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 97,272
Public safety	139,048
Streets and parks	76,653
Animal control	217
<b>Total Governmental Activities Depreciation Expense</b>	<u><u>\$ 313,190</u></u>

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

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

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases/ Reclassifications</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land	\$ 17,802	\$ 2,000	\$ -	\$ 19,802
Construction in progress	648,088	231,488	(879,576)	-
Total capital assets not being depreciated	<u>665,890</u>	<u>233,488</u>	<u>(879,576)</u>	<u>19,802</u>
Capital assets, being depreciated:				
Buildings	19,589	-	-	19,589
Improvements and infrastructure	11,579,025	-	265,538	11,844,563
Machinery and equipment	196,154	26,673	614,038	836,865
Total capital assets being depreciated	<u>11,794,768</u>	<u>26,673</u>	<u>879,576</u>	<u>12,701,017</u>
Less accumulated depreciation				
Buildings	3,571	2,595	-	6,166
Improvements and infrastructure	3,366,241	311,367	-	3,677,608
Machinery and equipment	105,697	43,689	-	149,386
Total accumulated depreciation	<u>3,475,509</u>	<u>357,651</u>	<u>-</u>	<u>3,833,160</u>
Net capital assets being depreciated	<u>8,319,259</u>	<u>(330,978)</u>	<u>879,576</u>	<u>8,867,857</u>
<b>Total Net Capital Assets</b>	<u><u>\$ 8,985,149</u></u>	<u><u>\$ (97,490)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,887,659</u></u>

Depreciation was charged to business-type functions as follows:

Water fund	<u>\$ 357,651</u>
<b>Total Business-type Activities Depreciation Expense</b>	<u><u>\$ 357,651</u></u>

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**D. Long-term Debt**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
<b>Governmental Activities:</b>					
Bonds and other payables:					
Certificates of Obligation	\$ 3,845,000	\$ -	\$ (305,000)	\$ 3,540,000	\$ 320,000
General Obligation Refunding Bonds		3,000,000	-	3,000,000	275,000
Notes payable	212,182	109,827	(133,498)	188,511	94,078
Other liabilities:					
Compensated Absences	73,701	-	(8,404)	65,297	58,767
<b>Total Governmental Activities</b>	<u>\$ 4,130,883</u>	<u>\$ 3,109,827</u>	<u>\$ (446,902)</u>	<u>\$ 6,793,808</u>	<u>\$ 747,845</u>
<b>Long-term liabilities due in more than one year</b>				<u>\$ 6,045,963</u>	
<b>Business-Type Activities:</b>					
Bonds, leases, and other payables:					
General Obligation Refunding Bonds	\$ 5,082,000	\$ -	\$ (229,000)	\$ 4,853,000	\$ 236,000
Notes payable	540,340	-	(68,553)	471,787	65,163
Other liabilities:					
Compensated Absences	14,780	-	(1,606)	13,174	11,857
<b>Total Business-Type Activities</b>	<u>\$ 5,637,120</u>	<u>\$ -</u>	<u>\$ (299,159)</u>	<u>\$ 5,337,961</u>	<u>\$ 313,020</u>
<b>Long-term liabilities due in more than one year</b>				<u>\$ 5,024,941</u>	

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

On March 21, 2018, the City issued General Obligation Bond, Series 2018, in the amount of \$3,000,000 at an interest rate varying from 2.06% to 3.09%, with a maturity date of August 1, 2029.

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

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

	<b>Governmental Activities</b>	<b>Business - Type Activities</b>	<b>Total</b>
<b>General Obligation Refunding Bonds:</b>			
\$5,725,000 General Obligation Refunding Bonds, Series 2014, due in installments through 2034, interest at 3.25%	\$ -	\$ 4,853,000	\$ 4,853,000
\$3,000,000 Certificates of Obligation, Series 2018, due in annual installments through 2027, interest at 2.80%	3,000,000	-	3,000,000
<b>Total General Obligation Refunding Bonds</b>	<b>\$ 3,000,000</b>	<b>\$ 4,853,000</b>	<b>\$ 7,853,000</b>
<b>Certificates of Obligation:</b>			
\$5,000,000 Certificates of Obligation, Series 2008, due in annual installments through 2027, interest at 4.49%	\$ 3,030,000	\$ -	\$ 3,030,000
\$750,000 Certificates of Obligation, Series 2010, due in annual installments through 2028, interest at 5.92%	510,000	-	510,000
<b>Total Certificates of Obligation</b>	<b>\$ 3,540,000</b>	<b>\$ -</b>	<b>\$ 3,540,000</b>
<b>Notes Payable</b>			
\$113,525 Note Payable, First State Bank, due in installments through 2019, interest at 2.5%	\$ 4,960	\$ -	\$ 4,960
\$81,020 Note Payable, First State Bank, due in installments through 2020, interest at 2.75%	24,096	-	24,096
\$71,518 Note Payable, First State Bank, due in installments through 2019, interest at 2.5%	13,980	-	13,980
\$34,294 Note Payable, First State Bank, due in installments through 2019, interest at 2.5%	-	3,734	3,734
\$109,826 Note Payable, BB&T Governmental Finance, due in installments through 2021, interest at 2.21%	81,754	-	81,754
\$629,690 Note Payable, Spirit of Texas Bank, due in installments through 2025, interest at 2.81%	-	468,053	468,053
\$125,341 Note Payable, BB&T Governmental Finance, due in installments through 2020, interest at 1.69%	63,721	-	63,721
<b>Total Notes Payable</b>	<b>\$ 188,511</b>	<b>\$ 471,787</b>	<b>\$ 660,298</b>
<b>Compensated Absences</b>	65,297	13,174	78,471
<b>Total Debt</b>	<b>\$ 6,793,808</b>	<b>\$ 5,337,961</b>	<b>\$ 12,131,769</b>

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

The annual requirements to amortize total government-wide debt issues outstanding at year ending were as follows:

<b>Year ending September 30,</b>	<b>General Obligation Bonds</b>		<b>Certificates of Obligation</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 275,000	\$ 108,142	\$ 320,000	\$ 157,722
2020	310,000	73,787	335,000	143,450
2021	320,000	66,905	350,000	136,030
2022	325,000	59,417	365,000	119,635
2023	335,000	51,194	385,000	102,567
2024	345,000	42,350	400,000	84,526
2025	350,000	32,759	420,000	65,811
2026	365,000	22,574	440,000	46,122
2027	375,000	11,588	460,000	25,460
2028	-	-	65,000	3,900
<b>Total</b>	<b>\$ 3,000,000</b>	<b>\$ 468,714</b>	<b>\$ 3,540,000</b>	<b>\$ 885,222</b>

<b>Governmental Activities</b>		
<b>Year ending September 30,</b>	<b>Notes Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ 94,078	\$ 3,511
2020	66,558	1,810
2021	27,875	615
<b>Total</b>	<b>\$ 188,511</b>	<b>\$ 5,936</b>

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

<b>Year ending September 30,</b>	<b>General Obligation Refunding Bonds</b>		<b>Notes Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 236,000	\$ 157,723	\$ 65,163	\$ 13,194
2020	244,000	150,053	63,157	11,442
2021	252,000	142,123	64,935	9,665
2022	260,000	133,933	66,762	7,838
2023	268,000	125,483	68,641	5,959
2024	277,000	116,773	70,572	4,028
2025	286,000	107,770	72,557	2,042
2026	295,000	98,475	-	-
2027	305,000	88,888	-	-
2028	315,000	78,975	-	-
2029	325,000	68,738	-	-
2030	336,000	58,175	-	-
2031	346,000	47,255	-	-
2032	358,000	36,010	-	-
2033	369,000	24,375	-	-
2034	381,000	12,383	-	-
<b>Total</b>	<b>\$ 4,853,000</b>	<b>\$ 1,447,128</b>	<b>\$ 471,787</b>	<b>\$ 54,168</b>

**E. Customer Deposits**

The City had customer deposits of \$333,430 in the water fund as of year end. The City requires a refundable deposit for all new utility customers. This amount will be returned to the customer when utility service is discontinued and all outstanding utility expenses are paid.

**F. Interfund Transactions**

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

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

Transfers between the primary government funds during the 2018 year were as follows:

<b>Transfers In:</b>	<b>Transfers Out:</b>				<b>Total</b>
	<b>Debt Service</b>	<b>Water &amp; Sewer</b>	<b>Solid Waste</b>	<b>Nonmajor</b>	
General	\$ -	\$ 400,813	\$ 19,716	\$ -	\$ 420,529
Water & Sewer	394,165	-	-	100,875	495,040
<b>Total</b>	<b>\$ 394,165</b>	<b>\$ 400,813</b>	<b>\$ 19,716</b>	<b>\$ 100,875</b>	<b>\$ 915,569</b>

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

**G. Fund Equity**

The City records fund balance restrictions at the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures. The following is a list of restricted fund balances:

	<b>Restricted</b>
Streets and parks	\$ 232,280
Tourism	135,772
Capital projects	1,811,833
Municipal court	28,334 *
Debt service	396,701
<b>Total</b>	<b>\$ 2,604,920</b>

\*Restricted by enabling legislation

**IV. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with more than 2,800 other entities in the Texas Municipal League Intergovernmental Risk Pools. The Pool was designed and created to provide insurance coverage that meets the needs of local governments at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums.

The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

# **City of Granite Shoals, Texas**

## ***NOTES TO FINANCIAL STATEMENTS, Continued***

### **September 30, 2018**

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

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

#### **B. Contingent Liabilities**

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

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

#### **C. Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does not anticipate that it will have an arbitrage liability and reviews the estimate for this potential liability annually. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.



**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**D. Defined Benefit Pension Plans**

Texas Municipal Retirement System

**1. Plan Description**

The City of Granite Shoals, Texas participates as one of 883 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](http://www.tmrs.com).

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

**2. Benefits Provided**

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

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

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

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

	<u>Plan Year 2017</u>	<u>Plan Year 2016</u>
Employee deposit rate	5%	5%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

**Employees covered by benefit terms**

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	19
Active employees	<u>31</u>
<b>Total</b>	<b><u>58</u></b>

**3. Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Granite Shoals, Texas were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Granite Shoals, Texas were 5.02% and 5.03% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were \$84,917, and were equal to the required contributions.

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**4. Net Pension Liability (Asset)**

The City's Net Pension Liability (Asset) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

**Actuarial assumptions**

The Total Pension Liability in the December 31, 2017 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 Tables with Blue Collar Adjustment, 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 Combined Healthy 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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

# City of Granite Shoals, Texas

## NOTES TO FINANCIAL STATEMENTS, Continued

### September 30, 2018

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 an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	<u>5.0%</u>	7.50%
<b>Total</b>	<b>100.0%</b>	

#### Discount Rate

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

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

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

<u>1% Decrease 5.75%</u>	<u>Current Single Rate Assumption 6.75%</u>	<u>1% Increase 7.75%</u>
\$ 301,832	\$ 49,361	\$ (157,687)

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**Changes in the Net Pension Liability (Asset)**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
<b>Balance at 12/31/16</b>	\$ 1,397,329	\$ 1,256,592	\$ 140,737
Changes for the year:			
Service cost	164,908	-	164,908
Interest	98,809	-	98,809
Difference between expected and actual experience	(9,971)	-	(9,971)
Changes of assumptions	-	-	-
Contributions – employer	-	86,053	(86,053)
Contributions – employee	-	85,711	(85,711)
Net investment income	-	174,306	(174,306)
Benefit payments, including refunds of emp. contributions	(31,902)	(31,902)	-
Administrative expense	-	(903)	903
Other changes	-	(45)	45
Net changes	221,844	313,220	(91,376)
<b>Balance at 12/31/16</b>	<b>\$ 1,619,173</b>	<b>\$ 1,569,812</b>	<b>\$ 49,361</b>

**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](http://www.tmr.com).

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

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

For the year ended September 30, 2018, the City recognized pension expense of \$93,250.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Differences between expected and actual economic experience	\$ 19,327	\$ -
Difference between projected and investment earnings	-	(24,548)
Pension investment earnings	-	(43,173)
Contributions subsequent to the measurement date	64,355	-
<b>Total</b>	<b>\$ 83,682</b>	<b>\$ (67,721)</b>

The City reported \$64,355 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Plan Year</b>	
2018	\$ (887)
2019	(3,471)
2020	(22,436)
2021	(21,600)
2022	-
<b>Total</b>	<b>\$ (48,394)</b>

**Other Postemployment Benefits**

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

# City of Granite Shoals, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2018

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

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

#### **Employees covered by benefit terms**

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	3
Active employees	31
Total	40

The City's contributions to the TMRS SDBF for the years ended 2018, 2017 and 2016 were \$676, \$680 and \$684, respectively, which equaled the required contributions each year.

#### Three-Year Contribution Information

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2016	0.04%	0.04%	100.0%
2017	0.04%	0.04%	100.0%
2018	0.04%	0.04%	100.0%

#### **Total OPEB Liability**

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2017, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

# City of Granite Shoals, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2018

#### Actuarial assumptions:

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation per year
Discount rate	3.31%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% 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 Combined Healthy 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.

#### Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.31%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

#### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

1% Decrease (2.31%)	Current Single Rate Assumption 3.31%	1% Increase (4.31%)
\$ 71,622	\$ 60,098	\$ 51,039



**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**Changes in the Total OPEB Liability:**

	<b>Total OPEB Liability</b>
<b>Balance at 12/31/16</b>	<b>\$ 49,641</b>
Changes for the year:	
Service Cost	4,628
Interest	1,951
Changes of assumptions	4,564
Benefit payments	(686)
Net changes	10,457
<b>Balance at 12/31/17</b>	<b>\$ 60,098</b>

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$7,212.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<b>Deferred Outflows of Resources</b>
Difference between expected and actual experience	\$ 3,931
Contributions subsequent to measurement date	512
<b>Total</b>	<b>\$ 4,443</b>

The City reported \$512 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2019.

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>		
2018	\$	633
2019		633
2020		633
2021		633
2022		633
Thereafter		766
	\$	<u>3,931</u>

**E. Restatement**

Due to the implementation of GASB No. 75, the City restated its beginning net position within governmental activities and business-type activities to properly reflect the total OPEB liability and related deferred outflows and inflows of resources, as prescribed by this accounting standard. This adjustment was recorded at the fund level for proprietary funds only, and recorded at the government-wide level for both governmental and business-type activities. The restatement of beginning net position/fund balance is as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Water</b>
Prior year ending net position/ fund balance, as reported	\$ 3,896,650	\$ 3,969,894	\$ 3,678,351
Impact of implementation of GASB 75	(40,110)	(9,333)	(9,333)
Restated beginning net position/fund balance	<u>\$ 3,856,540</u>	<u>\$ 3,960,561</u>	<u>\$ 3,669,018</u>

**F. Subsequent Events**

There were no material subsequent events through April 22, 2019, the date the financial statements were issued.

## ***REQUIRED SUPPLEMENTARY INFORMATION***

**City of Granite Shoals, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended September 30, 2018**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>2018 Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>				
Property tax	\$ 1,598,694	\$ 1,598,694	\$ 1,601,779	\$ 3,085
Sales tax	151,000	151,000	160,634	9,634
Franchise and local taxes	138,250	138,250	155,247	16,997
Intergovernmental	318,899	318,899	308,217	(10,682)
Charges for services	353,834	353,834	359,984	6,150
License and permits	69,500	69,500	117,274	47,774
Fines and forfeitures	86,000	86,000	107,724	21,724
Investment income	5,000	5,000	18,301	13,301
Other revenue	59,730	59,730	48,866	(10,864)
<b>Total Revenues</b>	<b>2,780,907</b>	<b>2,780,907</b>	<b>2,878,026</b>	<b>97,119</b>
<b><u>Expenditures</u></b>				
Current:				
Municipal court	67,791	83,972	78,609	5,363
Finance and administration	826,323	826,323	796,937	29,386
Police	992,934	992,934	953,809	39,125
Fire protection	530,414	547,414	528,364	19,050
Streets and parks	567,769	567,769	393,702	174,067
Animal control	93,873	93,873	71,759	22,114
Code compliance	148,965	148,965	136,620	12,345
Capital outlay	12,000	12,000	11,308	692
<b>Total Expenditures</b>	<b>3,240,069</b>	<b>3,273,250</b>	<b>2,971,108</b>	<b>302,142</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(459,162)</b>	<b>(492,343)</b>	<b>(93,082)</b>	<b>399,261</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	420,529	420,529	420,529	-
Proceeds from debt issuance	110,000	110,000	109,827	(173)
Gain (loss) on sale of capital assets	2,000	2,000	3,999	1,999
<b>Total Other Financing Sources (Uses)</b>	<b>532,529</b>	<b>532,529</b>	<b>534,355</b>	<b>1,826</b>
<b>Net Change in Fund Balance</b>	<b>\$ 73,367</b>	<b>\$ 40,186</b>	<b>441,273</b>	<b>\$ 401,087</b>
Beginning fund balance			810,917	
<b>Ending Fund Balance</b>			<b>\$ 1,252,190</b>	

Notes to Required Supplementary Information

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

# City of Granite Shoals, Texas

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended:

	12/31/2017	12/31/2016	12/31/2015	12/31/2014 <sup>1</sup>
Total pension liability				
Service cost	\$ 164,908	\$ 158,085	\$ 150,157	\$ 128,541
Interest	98,809	87,437	73,811	62,140
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(9,971)	(37,382)	13,012	2,977
Changes of assumptions	-	-	42,993	-
Benefit payments, including refunds of participant contributions	(31,902)	(54,256)	(31,792)	(43,675)
<b>Net change in total pension liability</b>	<b>221,844</b>	<b>153,884</b>	<b>248,181</b>	<b>149,983</b>
<b>Total pension liability - beginning</b>	<b>1,397,329</b>	<b>1,243,445</b>	<b>995,264</b>	<b>845,281</b>
<b>Total pension liability - ending (a)</b>	<b>1,619,173</b>	<b>1,397,329</b>	<b>1,243,445</b>	<b>995,264</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 86,053	\$ 73,817	\$ 69,291	\$ 47,394
Contributions - members	85,711	82,941	81,519	75,836
Net investment income	174,306	73,175	1,420	47,807
Benefit payments, including refunds of participant contributions	(31,902)	(54,256)	(31,792)	(43,675)
Administrative expenses	(903)	(826)	(865)	(499)
Other	(45)	(43)	(43)	(41)
<b>Net change in plan fiduciary net position</b>	<b>313,220</b>	<b>174,808</b>	<b>119,530</b>	<b>126,822</b>
<b>Plan fiduciary net position - beginning</b>	<b>1,256,592</b>	<b>1,081,784</b>	<b>962,254</b>	<b>835,432</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 1,569,812</b>	<b>\$ 1,256,592</b>	<b>\$ 1,081,784</b>	<b>\$ 962,254</b>
<b>Fund's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 49,361</b>	<b>\$ 140,737</b>	<b>\$ 161,661</b>	<b>\$ 33,010</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>97%</b>	<b>90%</b>	<b>87%</b>	<b>97%</b>
<b>Covered payroll</b>	<b>\$ 1,714,218</b>	<b>\$ 1,658,811</b>	<b>\$ 1,630,373</b>	<b>\$ 1,516,714</b>
<b>Fund's net pension liability as a percentage of covered payroll</b>	<b>2.88%</b>	<b>8.48%</b>	<b>9.92%</b>	<b>2%</b>

### Notes to schedule:

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

# City of Granite Shoals, Texas

## SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	9/30/2018	9/30/2017	9/30/2016	9/30/2015 <sup>1</sup>
Actuarially determined employer contributions	\$ 84,917	\$ 83,121	\$ 75,179	\$ 63,558
Contributions in relation to the actuarially determined contribution	\$ 84,917	\$ 83,121	\$ 75,179	\$ 63,558
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 1,689,020	\$ 1,700,764	\$ 1,709,498	\$ 1,608,453
Employer contributions as a percentage of	5.03%	4.89%	4.40%	3.95%

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

### NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

#### Valuation Date:

Notes

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

#### Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

#### Other Information:

Notes

There were no benefit changes during the year.

**City of Granite Shoals, Texas**  
**SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN**  
**PENSIONS (OPEB) LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SUPPLEMENTAL DEATH BENEFITS PLAN**  
**Years Ended:**

	<u>12/31/2017</u> <sup>1</sup>
Total OPEB liability	
Service cost	\$ 4,628
Interest	1,951
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	4,564
Benefit payments, including refunds of participant contributions	(686)
<b>Net change in total OPEB liability</b>	<u>10,457</u>
<b>Total OPEB liability - beginning</b>	<u>\$ 49,641</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 60,098</u></u>
 <b>Covered payroll</b>	 \$ 1,714,218
<b>City's total OPEB liability as a percentage of covered payroll</b>	3.51%

**Notes to schedule:**

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

2) No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

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

# City of Granite Shoals, Texas

## COMBINING BALANCE SHEET

### NONMAJOR GOVERNMENTAL FUNDS

September 30, 2018

	Restricted Park	Hotel Tax Fund	Street Maintenance Sales Tax	Police Seizure
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 48,775	\$ 137,933	\$ 132,970	\$ 12,413
Receivables, net	-	-	26,518	-
<b>Total Assets</b>	<b>\$ 48,775</b>	<b>\$ 137,933</b>	<b>\$ 159,488</b>	<b>\$ 12,413</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 534	\$ 2,161	\$ -	\$ 2,101
<b>Total Liabilities</b>	<b>534</b>	<b>2,161</b>	<b>-</b>	<b>2,101</b>
<b><u>Fund Balances</u></b>				
Restricted for:				
Streets and parks	48,241	-	159,488	-
Tourism	-	135,772	-	-
Municipal court	-	-	-	10,312
<b>Total Fund Balances</b>	<b>48,241</b>	<b>135,772</b>	<b>159,488</b>	<b>10,312</b>
<b>Liabilities and Fund Balances</b>	<b>\$ 48,775</b>	<b>\$ 137,933</b>	<b>\$ 159,488</b>	<b>\$ 12,413</b>

<b>Law Enforcement Education</b>	<b>City Cleanup</b>	<b>Court Technology</b>	<b>Court Security</b>	<b>Total</b>
\$ 5,915	\$ 24,416	\$ 7,891	\$ 6,469	\$ 376,782
-	1,645	-	-	28,163
<u>\$ 5,915</u>	<u>\$ 26,061</u>	<u>\$ 7,891</u>	<u>\$ 6,469</u>	<u>\$ 404,945</u>
\$ 2,253	\$ 1,510	\$ -	\$ -	\$ 8,559
<u>2,253</u>	<u>1,510</u>	<u>-</u>	<u>-</u>	<u>8,559</u>
-	24,551	-	-	232,280
-	-	-	-	135,772
<u>3,662</u>	<u>-</u>	<u>7,891</u>	<u>6,469</u>	<u>28,334</u>
<u>3,662</u>	<u>24,551</u>	<u>7,891</u>	<u>6,469</u>	<u>396,386</u>
<u>\$ 5,915</u>	<u>\$ 26,061</u>	<u>\$ 7,891</u>	<u>\$ 6,469</u>	<u>\$ 404,945</u>

**City of Granite Shoals, Texas**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2018**

	<b>Restricted</b>		<b>Street</b>	
	<b>Park</b>	<b>Hotel Tax Fund</b>	<b>Maintenance</b>	<b>Police</b>
<b>Revenues</b>			<b>Sales Tax</b>	<b>Seizure</b>
Sales tax	\$ -	\$ -	\$ 160,634	\$ -
Hotel occupancy tax	-	19,635	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	8,134
Investment income	141	1,405	15	-
Contributions and donations	4,984	-	-	-
Other revenue	53,552	-	-	-
<b>Total Revenues</b>	<b>58,677</b>	<b>21,040</b>	<b>160,649</b>	<b>8,134</b>
<b>Expenditures</b>				
Streets and parks	41,596	-	68,502	-
Tourism	-	4,396	-	-
Public safety	-	-	-	-
<b>Total Expenditures</b>	<b>41,596</b>	<b>4,396</b>	<b>68,502</b>	<b>-</b>
<b>Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>17,081</b>	<b>16,644</b>	<b>92,147</b>	<b>8,134</b>
<b>Net Change in Fund Balances</b>	<b>17,081</b>	<b>16,644</b>	<b>92,147</b>	<b>8,134</b>
Beginning fund balances	31,160	119,128	67,341	2,178
<b>Ending Fund Balances</b>	<b>\$ 48,241</b>	<b>\$ 135,772</b>	<b>\$ 159,488</b>	<b>\$ 10,312</b>

Law Enforcement Education	City Cleanup	Court Technology	Court Security	Total
\$ -	\$ -	\$ -	\$ -	\$ 160,634
-	-	-	-	19,635
-	20,330	-	-	20,330
1,144	-	2,927	2,196	14,401
-	-	-	-	1,561
-	-	-	-	4,984
-	(2,874)	-	-	50,678
1,144	17,456	2,927	2,196	272,223
-	20,735	-	-	130,833
-	-	-	-	4,396
2,441	-	1,093	-	3,534
2,441	20,735	1,093	-	138,763
(1,297)	(3,279)	1,834	2,196	133,460
(1,297)	(3,279)	1,834	2,196	133,460
4,959	27,830	6,057	4,273	262,926
\$ 3,662	\$ 24,551	\$ 7,891	\$ 6,469	\$ 396,386

**City of Granite Shoals, Texas**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**September 30, 2018**

	Utility Equipment Reserve	Meter Reader Project	Total
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 122,079	\$ 28,246	\$ 150,325
<b>Total Current Assets</b>	<b>\$ 122,079</b>	<b>\$ 28,246</b>	<b>\$ 150,325</b>
<b><u>Net Position</u></b>			
Unrestricted	122,079	28,246	150,325
<b>Total Net Position</b>	<b>\$ 122,079</b>	<b>\$ 28,246</b>	<b>\$ 150,325</b>

**City of Granite Shoals, Texas**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2018**

	Utility Equipment Reserve	Meter Reader Project	Total
<b><u>Revenues</u></b>			
Charges for services	\$ 27,849	\$ -	\$ 27,849
<b>Total Revenues</b>	<u>27,849</u>	<u>-</u>	<u>27,849</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Investment earnings	156	-	156
<b>Total Nonoperating Revenues (Expenses)</b>	<u>156</u>	<u>-</u>	<u>156</u>
<b>Income (Loss) Before Transfers</b>	28,005	-	28,005
Transfers (out)	(14,638)	(86,237)	(100,875)
<b>Change in Net Position</b>	13,367	(86,237)	(72,870)
Beginning net position	108,712	114,483	223,195
<b>Ending Net Position</b>	<u>\$ 122,079</u>	<u>\$ 28,246</u>	<u>\$ 150,325</u>

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**City of Granite Shoals, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**For the Year Ended September 30, 2018**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Property tax	\$ 986,347	\$ 992,869	\$ 6,522
Investment income	1,000	4,410	3,410
<b>Total Revenues</b>	<b>987,347</b>	<b>997,279</b>	<b>9,932</b>
<b><u>Expenditures</u></b>			
Debt Service:			
Principal	442,856	438,498	4,358
Interest and fiscal charges	171,333	175,607	(4,274)
<b>Total Expenditures</b>	<b>614,189</b>	<b>614,105</b>	<b>84</b>
<b>Revenues Over (Under) Expenditures</b>	<b>373,158</b>	<b>383,174</b>	<b>10,016</b>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers out	(394,165)	(394,165)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(394,165)</b>	<b>(394,165)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ (21,007)</b>	<b>(10,991)</b>	<b>\$ 10,016</b>
Beginning fund balance		407,692	
<b>Ending Fund Balance</b>		<b>\$ 396,701</b>	

Notes to Other Supplementary Information

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

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