

2015

Annual Financial Report

Fiscal Year Ending September 30, 2015



City of Granite Shoals

2221 N. Phillips Ranch Road

Granite Shoals, TX 78654

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ANNUAL FINANCIAL REPORT

of the

City of Granite Shoals, Texas

**For the Year Ended
September 30, 2015**

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City of Granite Shoals, Texas

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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, 2015, 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, 2015 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

Change in Accounting Principle

As discussed in Note IV.F to the financial statements, during 2015, the City adopted new accounting guidance Governmental Accounting Standard Board "GASB" Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Correction of an Error

As discussed in Note IV.E to the financial statements, beginning fund balance and net position has been restated to reflect a correction of an error in the 2014 financial statements. 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, budgetary comparison information, and pension plan information 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 Cardiel, PLLC". The signature is written in a cursive, flowing style.

BrooksCardiel, PLLC
Certified Public Accountants
The Woodlands, Texas
May 19, 2016

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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, 2015

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, 2015. 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 \$7,010,026 at September 30, 2015. Of this, \$1,014,041 (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 \$1,161,420, an increase of \$159,240.
- As of the end of the year, the unassigned fund balance of the general fund was \$539,389 or 16% of total general fund expenditures.
- The City had an overall increase in net position of \$800,629.
- The City closed the year with a net pension liability of \$33,010.

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

City of Granite Shoals, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2015

rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and economic development. The business-type activities of the City include water 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, 2015

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 \$7,010,026 as of September 30, 2015, in the primary government.

The largest portion of the City's net position, \$5,375,796, 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, 2015

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:

	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,553,223	\$ 1,130,718	\$ 2,683,941	\$ 1,248,656	\$ 818,329	\$ 2,066,985
Capital assets, net	6,750,544	9,422,339	16,172,883	6,468,365	8,835,244	15,303,609
Total Assets	8,303,767	10,553,057	18,856,824	7,717,021	9,653,573	17,370,594
Deferred Outflows of Resources	49,608	11,636	61,244	27,592	6,472	34,064
Other liabilities	280,896	552,962	833,858	251,646	414,298	665,944
Long-term liabilities	4,865,950	6,208,234	11,074,184	4,837,822	5,726,871	10,564,693
Total Liabilities	5,146,846	6,761,196	11,908,042	5,089,468	6,141,169	11,230,637
Net Position:						
Net investment in capital assets	1,985,003	3,390,793	5,375,796	1,609,970	3,096,494	4,706,464
Restricted	620,189	-	620,189	560,203	12,210	572,413
Unrestricted	601,337	412,704	1,014,041	484,972	410,172	895,144
Total Net Position	\$ 3,206,529	\$ 3,803,497	\$ 7,010,026	\$ 2,655,145	\$ 3,518,876	\$ 6,174,021

City of Granite Shoals, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2015

Statement of Activities:

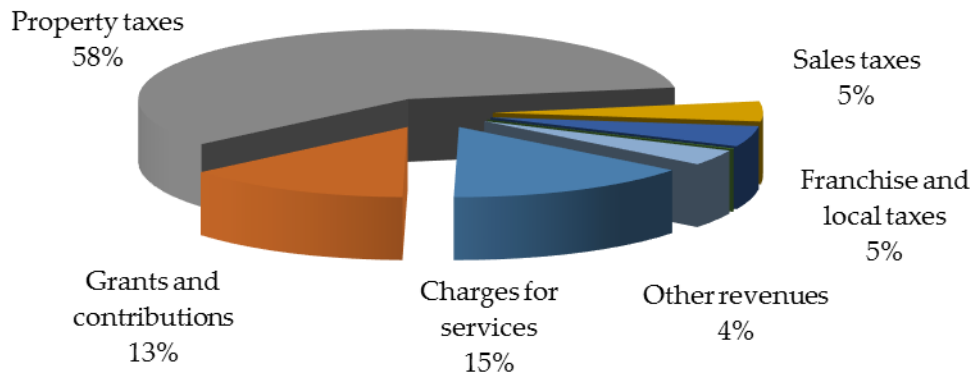
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2015			For the Year Ended September 30, 2014		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities	Primary Government	Activities	Activities	Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 542,484	\$ 1,598,588	\$ 2,141,072	\$ 520,846	\$ 1,651,970	\$ 2,172,816
Grants and contributions	498,365	222,678	721,043	255,494	16,438	271,932
General revenues:						
Property taxes	2,151,968	-	2,151,968	1,997,324	-	1,997,324
Sales taxes	170,592	-	170,592	159,662	-	159,662
Franchise and local taxes	176,584	-	176,584	142,205	-	142,205
Sanitation sales	594,419	-	594,419	627,594	-	627,594
Investment income	4,291	369	4,660	4,113	367	4,480
Other revenues	133,653	53,429	187,082	103,035	57,133	160,168
Total Revenues	4,272,356	1,875,064	6,147,420	3,810,273	1,725,908	5,536,181
Expenses						
General government	950,313	-	950,313	889,778	-	889,778
Public safety	1,347,499	-	1,347,499	1,248,885	-	1,248,885
Streets and parks	548,134	-	548,134	474,624	-	474,624
Animal control	64,104	-	64,104	62,829	-	62,829
Code compliance	123,370	-	123,370	119,505	-	119,505
Sanitation	494,625	-	494,625	479,344	-	479,344
Interest and fiscal charges	220,142	198,025	418,167	254,814	232,413	487,227
Utility	-	1,400,580	1,400,580	-	1,392,986	1,392,986
Total Expenses	3,748,186	1,598,605	5,346,791	3,529,779	1,625,399	5,155,178
Change in Net Position						
Before Transfers	524,170	276,459	800,629	280,494	100,509	381,003
Transfers	(1,986)	1,986	-	(12,577)	12,577	-
Total	(1,986)	1,986	-	(12,577)	12,577	-
Change in Net Position	522,184	278,445	800,629	267,917	113,086	381,003
Beginning Net Position	2,684,345	3,525,052	6,209,397	2,387,228	3,405,790	5,793,018
Ending Net Position	\$ 3,206,529	\$ 3,803,497	\$ 7,010,026	\$ 2,655,145	\$ 3,518,876	\$ 6,174,021

City of Granite Shoals, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2015

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

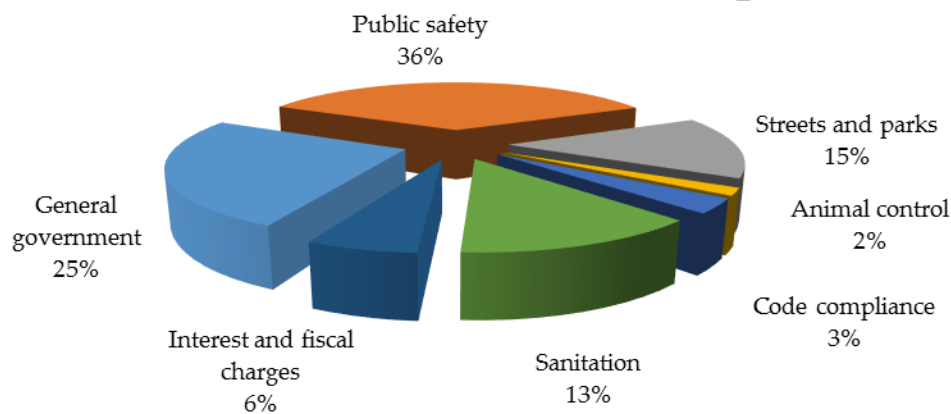
Governmental Activities - Revenues



For the year ended September 30, 2015, revenues from governmental activities totaled \$4,272,356. Property tax and sanitation sales are the City's largest revenue sources. Franchise taxes increased \$34,379 or 24% due to an increase in this year's vendor activity. Property tax increased by \$154,644 or 8% when compared to 2014 due to an increase in overall assessed property values and an increase in the property tax rate. Grants and contributions increased by \$242,871 primarily due to an increase in funding for park projects. 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, 2015, expenses for governmental activities totaled \$3,748,186. This represents an increase of \$218,407 or 6% from the prior year. The City's largest functional expense is public safety of \$1,347,499 which increased by \$98,614 or 8% due to additional salary and contract

City of Granite Shoals, Texas

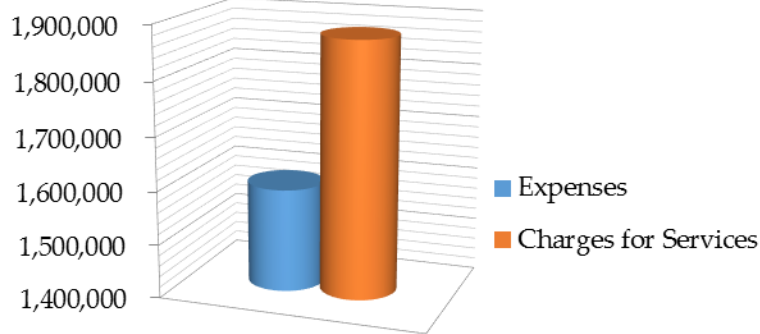
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2015

expenditures. Streets and parks expenditures increase by \$73,510 or 15%. This increase is primarily due to additional repairs and maintenance costs. General government expenses increased by \$60,535 or 7% due to additional personnel and professional costs. Interest and fiscal charges decreased by \$34,672 or 14%, which is in accordance with debt agreements. 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, 2015, charges for services by business-type activities totaled \$1,598,588. This is a decrease of \$53,382, or 3%, from the previous year. Grants and contributions increased by \$206,240 due to a grant issued to the City by the Texas Department of Agriculture for community development.

Total operating expenses remained relatively consistent and posted a slight increase of \$7,594 during the year.

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, 2015

As of the end of the year the general fund reflected a total fund balance of \$541,231. Of this, \$1,842 is considered nonspendable due to prepaid assets. Unassigned fund balance totaled \$539,389 as of year-end.

The debt service fund had an ending fund balance of \$427,525 at yearend for a decrease of \$46,567. Total principal and interest payments made during the year were \$353,446 and \$216,543, respectively.

There was an overall increase in governmental fund balance of \$159,240 from the prior year. The increase was primarily related to proceeds from the issuance of debt in the general 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 \$85,616 and a positive expenditure variance of \$93,890 for the year. Other financing sources (uses) had an overall positive budget variance of \$11,900. There was a positive total net budget variance of 191,406.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$6,750,544 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 \$9,422,339 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Purchase of two police vehicles for a total of \$111,066
- Purchase of three street department vehicles for a total of \$125,373
- Park improvements for a total of \$299,114
- Purchase of a utility vehicle for \$15,803
- Purchase of utility tractor for \$34,269
- Addition of construction in progress for utility systems in the amount of \$766,206

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

City of Granite Shoals, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2015

LONG-TERM DEBT

At the end of the current year, the City had total bonds, notes, and leases outstanding of \$10,954,329. During the year, the City payments on the long-term debt of \$583,956. 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 for growth in the upcoming year.

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

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City of Granite Shoals, Texas

STATEMENT OF NET POSITION

September 30, 2015

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 1,277,568	\$ 610,872	\$ 1,888,440
Restricted cash - deposits	-	277,954	277,954
Receivables, net	273,813	241,027	514,840
Prepaid items	1,842	865	2,707
Total Current Assets	1,553,223	1,130,718	2,683,941
Capital assets:			
Non-depreciable	2,120,555	797,758	2,918,313
Net depreciable capital assets	4,629,989	8,624,581	13,254,570
	6,750,544	9,422,339	16,172,883
Total Assets	8,303,767	10,553,057	18,856,824
<u>Deferred Outflows of Resources</u>			
Pension contributions	40,743	9,557	50,300
Pension investment earnings	6,916	1,622	8,538
Pension gains/losses	1,949	457	2,406
Total Deferred Outflows of Resources	49,608	11,636	61,244
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	248,138	245,124	493,262
Customer deposits	-	277,954	277,954
Accrued interest payable	32,758	29,884	62,642
Current portion of long-term debt	471,985	290,604	762,589
	752,881	843,566	1,596,447
Noncurrent liabilities:			
Long-term debt	4,367,227	5,911,358	10,278,585
Net pension liability	26,738	6,272	33,010
	4,393,965	5,917,630	10,311,595
Total Liabilities	5,146,846	6,761,196	11,908,042
<u>Net Position</u>			
Net investment in capital assets	1,985,003	3,390,793	5,375,796
Restricted for:			
Streets and parks	82,132	-	82,132
Tourism	101,757	-	101,757
Enabling legislation	8,775	-	8,775
Debt service	427,525	-	427,525
Unrestricted	601,337	412,704	1,014,041
Total Net Position	\$ 3,206,529	\$ 3,803,497	\$ 7,010,026

See Notes to Financial Statements.

City of Granite Shoals, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 950,313	\$ 347,670	\$ 498,365
Public safety	1,347,499	130,736	-
Streets and parks	548,134	64,078	-
Animal control	64,104	-	-
Code compliance	123,370	-	-
Sanitation	494,625	594,419	-
Interest and fiscal charges	220,142	-	-
Total Governmental Activities	3,748,186	1,136,903	498,365
Business-Type Activities			
Water	1,586,011	1,861,112	-
Utility Equipment Reserve	-	13,952	-
Meter Reader Project	12,594	-	-
Total Business-Type Activities	1,598,605	1,875,064	-
Total Primary Government	\$ 5,346,791	\$ 3,011,967	\$ 498,365

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

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (104,278)	\$ -	\$ (104,278)
(1,216,763)	-	(1,216,763)
(484,056)	-	(484,056)
(64,104)	-	(64,104)
(123,370)	-	(123,370)
99,794	-	99,794
(220,142)	-	(220,142)
<u>(2,112,918)</u>	<u>-</u>	<u>(2,112,918)</u>
-	275,101	275,101
-	13,952	13,952
-	(12,594)	(12,594)
<u>-</u>	<u>276,459</u>	<u>276,459</u>
<u>(2,112,918)</u>	<u>276,459</u>	<u>(1,836,459)</u>
2,151,968	-	2,151,968
170,592	-	170,592
176,584	-	176,584
4,291	-	4,291
121,353	-	121,353
12,300	-	12,300
(1,986)	1,986	-
<u>2,635,102</u>	<u>1,986</u>	<u>2,637,088</u>
522,184	278,445	800,629
2,684,345	3,525,052	6,209,397
<u>\$ 3,206,529</u>	<u>\$ 3,803,497</u>	<u>\$ 7,010,026</u>

City of Granite Shoals, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2015

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 666,824	\$ 409,215	\$ 201,529	\$ 1,277,568
Receivables, net	192,758	75,223	5,832	273,813
Due from other funds	-	18,310	-	18,310
Prepays	1,842	-	-	1,842
Total Assets	\$ 861,424	\$ 502,748	\$ 207,361	\$ 1,571,533
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 233,441	\$ -	\$ 14,697	\$ 248,138
Due to other funds	18,310	-	-	18,310
Total Liabilities	251,751	-	14,697	266,448
<u>Deferred Inflows of Resources</u>				
Unavailable revenue:				
Property tax	68,442	75,223	-	143,665
Total Deferred Inflows of Resources	68,442	75,223	-	143,665
<u>Fund Balances</u>				
Nonspendable:				
Prepays	1,842	-	-	1,842
Restricted for:				
Streets and parks	-	-	82,132	82,132
Tourism	-	-	101,757	101,757
Enabling legislation	-	-	8,775	8,775
Debt service	-	427,525	-	427,525
Unassigned reported in:				
General fund	539,389	-	-	539,389
Total Fund Balances	541,231	427,525	192,664	1,161,420
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 861,424	\$ 502,748	\$ 207,361	\$ 1,571,533

See Notes to Financial Statements.

City of Granite Shoals, Texas

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

September 30, 2015

Fund Balances - Total Governmental Funds	\$ 1,161,420
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Adjustments for the Statement of Net Position:

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

Capital assets - non-depreciable	2,120,555
Capital assets - net depreciable	4,629,989

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

Property tax receivable	143,665
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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 (expenditure) until then.

Pension contributions	40,743
Pension investment earnings	6,916
Pension (gains) losses	1,949

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

Accrued interest	(32,758)
Compensated absences	(73,671)
Bonds, notes, and capital leases	(4,765,541)
Net pension liability	(26,738)

Net Position of Governmental Activities	\$ 3,206,529
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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, 2015

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
Property tax	\$ 1,218,234	\$ 916,726	\$ -	\$ 2,134,960
Sales tax	136,533	-	34,059	170,592
Franchise and local taxes	154,557	-	22,027	176,584
Intergovernmental	248,143	-	184,002	432,145
Charges for services	322,019	-	25,651	347,670
License and permits	64,078	-	-	64,078
Fines and forfeitures	122,462	-	8,274	130,736
Sanitation sales	594,419	-	-	594,419
Investment income	3,357	759	175	4,291
Contributions and donations	-	-	66,220	66,220
Other revenue	67,928	-	53,425	121,353
Total Revenues	2,931,730	917,485	393,833	4,243,048
<u>Expenditures</u>				
Current:				
General government	849,771	-	4,448	854,219
Public safety	1,335,549	-	15,193	1,350,742
Streets and parks	365,933	-	417,656	783,589
Animal control	63,983	-	-	63,983
Code compliance	123,598	-	-	123,598
Sanitation	494,625	-	-	494,625
Debt Service:				
Principal	17,720	353,446	-	371,166
Interest and fiscal charges	1,858	216,543	-	218,401
Capital outlay	140,637	-	-	140,637
Total Expenditures	3,393,674	569,989	437,297	4,400,960
Excess (Deficiency) of Revenues Over (Under) Expenditures	(461,944)	347,496	(43,464)	(157,912)
<u>Other Financing Sources (Uses)</u>				
Transfers in	392,077	-	-	392,077
Transfers (out)	-	(394,063)	-	(394,063)
Proceeds from debt issuance	306,838	-	-	306,838
Gain (loss) on sale of capital assets	12,300	-	-	12,300
Total	711,215	(394,063)	-	317,152
Net Change in Fund Balances	249,271	(46,567)	(43,464)	159,240
Beginning fund balances	291,960	474,092	236,128	1,002,180
Ending Fund Balances	\$ 541,231	\$ 427,525	\$ 192,664	\$ 1,161,420

See Notes to Financial Statements.

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, 2015

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

Net changes in fund balances - total governmental funds	\$ 159,240
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	556,285
Depreciation expense	(274,106)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	17,008
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	(2,086)
Accrued interest	(1,741)
Pension expense	3,256
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.	
Notes payable issuance	(306,838)
Principal payments	371,166
Change in Net Position of Governmental Activities	\$ 522,184

See Notes to Financial Statements.

City of Granite Shoals, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2015

		Nonmajor		
	Water	Utility Equipment Reserve	Meter Reader Project	Total
<u>Assets</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 373,478	\$ 80,152	\$ 157,242	\$ 610,872
Restricted cash - deposits	277,954	-	-	277,954
Receivables, net	241,027	-	-	241,027
Prepaid items	865	-	-	865
Total Current Assets	893,324	80,152	157,242	1,130,718
<u>Noncurrent Assets</u>				
Capital assets:				
Non-depreciable	241,480	-	556,278	797,758
Net depreciable capital assets	8,624,581	-	-	8,624,581
Total Noncurrent Assets	8,866,061	-	556,278	9,422,339
Total Assets	9,759,385	80,152	713,520	10,553,057
<u>Deferred Outflows of Resources</u>				
Pension contributions	9,557	-	-	9,557
Pension investment earnings	1,622	-	-	1,622
Pension gains/losses	457	-	-	457
Total Deferred Outflows of Resources	11,636	-	-	11,636
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts payable and accrued liabilities	161,294	-	83,830	245,124
Customer deposits	277,954	-	-	277,954
Accrued interest payable	29,884	-	-	29,884
Current portion of long-term debt	234,233	-	56,371	290,604
Total Current Liabilities	703,365	-	140,201	843,566
<u>Noncurrent Liabilities</u>				
Long-term debt	5,325,445	-	585,913	5,911,358
Net pension liability	6,272	-	-	6,272
Total Liabilities	6,035,082	-	726,114	6,761,196
<u>Net Position</u>				
Net investment in capital assets	3,319,557	-	71,236	3,390,793
Unrestricted	416,382	80,152	(83,830)	412,704
Total Net Position	\$ 3,735,939	\$ 80,152	\$ (12,594)	\$ 3,803,497

See Notes to Financial Statements.

City of Granite Shoals, Texas

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

For the Year Ended September 30, 2015

		Nonmajor		
		Utility	Meter	
		Equipment	Reader	
	Water	Reserve	Project	Total
<u>Operating Revenues</u>				
Charges for services	\$ 1,584,640	\$ 13,948	\$ -	\$ 1,598,588
Intergovernmental	222,678	-	-	222,678
Other revenue	53,429	-	-	53,429
Total Operating Revenues	1,860,747	13,948	-	1,874,695
<u>Operating Expenses</u>				
Salaries and wages	286,164	-	-	286,164
Employee benefits	73,799	-	-	73,799
Professional services	11,510	-	-	11,510
Other operating expenses	546,691	-	-	546,691
Supplies	109,732	-	-	109,732
Water purchase	65,286	-	-	65,286
Depreciation	307,398	-	-	307,398
Total Operating Expenses	1,400,580	-	-	1,400,580
Operating Income (Loss)	460,167	13,948	-	474,115
<u>Nonoperating Revenues (Expenses)</u>				
Investment earnings	365	4	-	369
Interest expense	(185,431)	-	(12,594)	(198,025)
Total Nonoperating Revenues (Expenses)	(185,066)	4	(12,594)	(197,656)
Income (Loss) Before Transfers	275,101	13,952	(12,594)	276,459
Transfers in	394,063	26,200	-	420,263
Transfers (out)	(418,277)	-	-	(418,277)
Change in Net Position	250,887	40,152	(12,594)	278,445
Beginning net position	3,485,052	40,000	-	3,525,052
Ending Net Position	\$ 3,735,939	\$ 80,152	\$ (12,594)	\$ 3,803,497

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, 2015

		Nonmajor		
	Water	Utility Equipment Reserve	Meter Reader Project	Total
<u>Cash Flows from Operating Activities</u>				
Receipts from customers	\$ 1,908,702	\$ 13,948	-	\$ 1,922,650
Payments to suppliers	(752,797)	-	83,830	(668,967)
Payments to employees	(281,988)	-	-	(281,988)
Net Cash Provided by Operating Activities	873,917	13,948	83,830	971,695
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfer in	394,063	26,200	-	420,263
Transfer (out)	(418,277)	-	-	(418,277)
Net Cash Provided (Used) by Noncapital Financing Activities	(24,214)	26,200	-	1,986
<u>Cash Flows from Capital and Related Financing Activities</u>				
Capital purchases	(338,214)	-	(556,278)	(894,492)
Proceeds from capital debt	34,294	-	642,284	676,578
Principal paid on debt	(212,790)	-	-	(212,790)
Interest paid on debt	(186,557)	-	(12,594)	(199,151)
Net Cash (Used) by Capital and Related Financing Activities	(703,267)	-	73,412	(629,855)
<u>Cash Flows from Investing Activities</u>				
Interest on investments	365	4	-	369
Net Cash Provided by Investing Activities	365	4	-	369
Increase (Decrease) in Cash and Cash Equivalents	146,801	40,152	157,242	344,195
Beginning cash and cash equivalents	504,631	40,000	-	544,631
Ending Cash and Cash Equivalents	\$ 651,432	\$ 80,152	\$ 157,242	\$ 888,826

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, 2015

		Nonmajor		
		Utility	Meter	
		Equipment	Reader	
	Water	Reserve	Project	Total
<u>Reconciliation of Operating</u>				
<u>Income (Loss) to Net Cash Provided by</u>				
<u>Operating Activities</u>				
Operating Income (Loss)	\$ 460,167	\$ 13,948	\$ -	\$ 474,115
Adjustments to reconcile operating income (loss) to net cash provided:				
Depreciation	307,398	-	-	307,398
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in:				
Accounts receivable	32,430	-	-	32,430
Prepaid expenses	(625)	-	-	(625)
Deferred Outflows of Resources:				
Pension contributions	(3,085)	-	-	(3,085)
Investment experience	(1,622)	-	-	(1,622)
Actual experience vs. assumption	(457)	-	-	(457)
Increase (Decrease) in:				
Accounts payable and accrued liabilities	54,846	-	83,830	138,676
Customer deposits	15,525	-	-	15,525
Compensated absences	4,939	-	-	4,939
Net pension liability	4,401	-	-	4,401
Net Cash Provided by Operating				
Activities	\$ 873,917	\$ 13,948	\$ 83,830	\$ 971,695

See Notes to Financial Statements.

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City of Granite Shoals, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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, culture, 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, 2015

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, 2015

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.

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.

City of Granite Shoals, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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 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.

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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.

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. 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

City of Granite Shoals, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2015

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.

3. 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.

4. 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.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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.

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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

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

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

Asset Description	Estimated Useful Life
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

6. 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.

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

7. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied.

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

8. 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.

9. 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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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.

10. 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.

11. 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.

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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.

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.

12. Pensions

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Proprietary Funds Operating and 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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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 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. For the current year, no expenditures exceeded appropriations at the legal level of control within the general fund or debt service fund.

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2015, the primary government had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
External investment pools	\$ 1,071,276	0.11
Total fair value	<u>\$ 1,071,276</u>	
Portfolio weighted average maturity		0.11

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

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

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a 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, 2015, 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.

City of Granite Shoals, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2015

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.

B. Receivables

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

	Nonmajor Governmental				
	General	Debt Service	Funds	Water	Total
Property taxes	\$ 68,442	\$ 75,223	\$ -	\$ -	\$ 143,665
Sales tax	23,328	-	-	-	23,328
Accounts	100,988	-	5,832	252,744	359,564
Allowance	-	-	-	(11,717)	(11,717)
	<u>\$ 192,758</u>	<u>\$ 75,223</u>	<u>\$ 5,832</u>	<u>\$ 241,027</u>	<u>\$ 514,840</u>

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

C. Capital Assets

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

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 1,725,805	\$ -	\$ -	\$ 1,725,805
Construction in progress	28,511	195,458	(223,969)	-
Mineral rights	394,750	-	-	394,750
Total capital assets not being depreciated	<u>2,149,066</u>	<u>195,458</u>	<u>(223,969)</u>	<u>2,120,555</u>
Capital assets, being depreciated:				
Buildings and improvements	4,027,051	-	-	4,027,051
Improvements & infrastructure	940,310	103,657	223,969	1,267,936
Machinery & equipment	1,672,469	257,170	(57,387)	1,872,252
Total capital assets being depreciated	<u>6,639,830</u>	<u>360,827</u>	<u>166,582</u>	<u>7,167,239</u>
Less accumulated depreciation				
Buildings and improvements	(689,272)	(103,513)	-	(792,785)
Improvements & infrastructure	(235,242)	(44,593)	-	(279,835)
Machinery & equipment	(1,396,017)	(126,000)	57,387	(1,464,630)
Total accumulated depreciation	<u>(2,320,531)</u>	<u>(274,106)</u>	<u>57,387</u>	<u>(2,537,250)</u>
Net capital assets being depreciated	<u>4,319,299</u>	<u>86,721</u>	<u>223,969</u>	<u>4,629,989</u>
Total Net Capital Assets	<u><u>\$ 6,468,365</u></u>	<u><u>\$ 282,179</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,750,544</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 96,060
Public safety	107,637
Public works	70,192
Health and welfare	217
Total Governmental Activities Depreciation Expense	<u><u>\$ 274,106</u></u>

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 17,802	\$ -	\$ -	\$ 17,802
Construction in progress	13,750	766,206	-	779,956
Total capital assets not being depreciated	<u>31,552</u>	<u>766,206</u>	<u>-</u>	<u>797,758</u>
Capital assets, being depreciated:				
Buildings	2,189	-	-	2,189
Improvements and infrastructure	11,226,374	78,213	-	11,304,587
Machinery and equipment	136,269	50,073	(31,684)	154,658
Total capital assets being depreciated	<u>11,364,832</u>	<u>128,286</u>	<u>(31,684)</u>	<u>11,461,434</u>
Less accumulated depreciation				
Buildings	(757)	(109)	-	(866)
Improvements and infrastructure	(2,456,867)	(299,711)	-	(2,756,578)
Machinery and equipment	(103,515)	(7,578)	31,684	(79,409)
Total accumulated depreciation	<u>(2,561,139)</u>	<u>(307,398)</u>	<u>31,684</u>	<u>(2,836,853)</u>
Net capital assets being depreciated	<u>8,803,693</u>	<u>(179,112)</u>	<u>-</u>	<u>8,624,581</u>
Total Net Capital Assets	<u><u>\$ 8,835,245</u></u>	<u><u>\$ 587,094</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,422,339</u></u>

Depreciation was charged to business-type functions as follows:

Water fund	<u>\$ 307,398</u>
Total Business-type Activities Depreciation Expense	<u><u>\$ 307,398</u></u>

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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>
Governmental Activities:					
Bonds and other payables:					
Certificates of Obligation	\$ 4,675,000	\$ -	\$ (265,000)	\$ 4,410,000	\$ 275,00
Notes payable	127,975	306,838	(97,585)	337,228	121,72
Capital Leases	26,894	-	(8,581)	18,313	8,95
Other liabilities:					
Compensated Absences	71,585	43,652	(41,566)	73,671	66,30
Total Governmental Activities	<u>\$ 4,901,454</u>	<u>\$ 350,490</u>	<u>\$ (412,732)</u>	<u>\$ 4,839,212</u>	<u>\$ 471,98</u>
Long-term liabilities due in more than one year				<u>\$ 4,367,227</u>	
Business-Type Activities:					
Bonds, leases, and other payables:					
General Obligation Refunding Bonds	\$ 5,725,000	\$ -	\$ (208,000)	\$ 5,517,000	\$ 214,00
Notes payable	-	676,578	(4,790)	671,788	64,74
Other liabilities:					
Compensated Absences	13,174	9,119	(9,119)	13,174	11,85
Total Business-Type Activities	<u>\$ 5,738,174</u>	<u>\$ 685,697</u>	<u>\$ (221,909)</u>	<u>\$ 6,201,962</u>	<u>\$ 290,60</u>
Long-term liabilities due in more than one year				<u>\$ 5,911,358</u>	

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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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

	Governmental Activities	Business - Type Activities	Total
General Obligation Refunding Bonds:			
\$5,725,000 General Obligation Refunding Bonds, Series 2014, due in installments through 2034, interest at 3.25%	\$ -	\$ 5,517,000	\$ 5,517,000
Total General Obligation Refunding Bonds	\$ -	\$ 5,517,000	\$ 5,517,000
Certificates of Obligation:			
\$5,000,000 Certificates of Obligation, Series 2008, due in annual installments through 2027, interest at 4.49%	\$ 3,800,000	\$ -	\$ 3,800,000
\$750,000 Certificates of Obligation, Series 2010, due in annual installments through 2028, interest at 5.92%	610,000	-	610,000
Total Certificates of Obligation	\$ 4,410,000	\$ -	\$ 4,410,000
Notes Payable			
\$36,500 Note Payable, Government Capital Corporation, due in installments through 2016, interest at 3.62%	\$ 9,469	\$ -	\$ 9,469
\$53,075 Note Payable, First State Bank, due in installments through 2016, interest at 2.4%	16,624	-	16,624
\$113,525 Note Payable, First State Bank, due in installments through 2019, interest at 2.5%	90,800	-	90,800
\$81,020 Note Payable, First State Bank, due in installments through 2020, interest at 2.75%	72,131	-	72,131
\$71,518 Note Payable, First State Bank, due in installments through 2019, interest at 2.5%	67,256	-	67,256
\$99,999 Note Payable, Schertz Bank & Trust, due in installments through 2017, interest at 2.5%	50,646	-	50,646
\$34,294 Note Payable, First State Bank, due in installments through 2019, interest at 2.5%	-	29,504	29,504
\$40,775 Note Payable, Spirit of Texas Bank, due in installments through 2018, interest at 2.68%	30,302	-	30,302
\$629,690 Note Payable, Spirit of Texas Bank, due in installments through 2025, interest at 2.81%	-	642,284	642,284
Total Notes Payable	\$ 337,228	\$ 671,788	\$ 1,009,016
Capital Leases Payable:			
\$42,984 Capital lease payable to Motorola, due in annual installments of through 2017, interest at 4.41%	\$ 18,313	\$ -	\$ 18,313
Total Capital Leases Payable	\$ 18,313	\$ -	\$ 18,313
Compensated Absences			
	73,671	13,174	86,845
Total Debt	\$ 4,839,212	\$ 6,201,962	\$ 11,041,174

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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

Year ending September 30,	Certificates of Obligation		Notes Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 275,000	\$ 196,545	\$ 121,722	\$ 9,434	\$ 8,959	\$ 808
2017	290,000	184,270	98,114	4,877	9,354	412
2018	305,000	171,333	74,357	2,326	-	-
2019	320,000	157,722	35,826	627	-	-
2020	335,000	143,450	7,209	49	-	-
2021	350,000	136,030	-	-	-	-
2022	365,000	119,635	-	-	-	-
2023	385,000	102,567	-	-	-	-
2024	400,000	84,526	-	-	-	-
2025	420,000	65,811	-	-	-	-
2026	440,000	46,122	-	-	-	-
2027	460,000	25,460	-	-	-	-
2028	65,000	3,900	-	-	-	-
Total	\$ 4,410,000	\$ 1,437,369	\$ 337,228	\$ 17,313	\$ 18,313	\$ 1,220

The asset under capital lease had an original book value of \$42,984 and a current book value of \$21,492, net of depreciation.

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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

Year ending September 30,	General Obligation Refunding Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2016	\$ 214,000	\$ 179,303	\$ 64,747	\$ 18,870
2017	221,000	172,348	66,700	16,917
2018	229,000	165,165	68,553	15,065
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	72,558	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	-	-
Total	\$ 5,517,000	\$ 1,963,943	\$ 671,788	\$ 105,021

E. Customer Deposits

The City had customer deposits of \$277,954 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

The compositions of interfund due to/from balances as of the year ended September 30, 2015 were as follows:

Due to:	Due from:	
	General	Total
Debt Service	\$ 18,310	\$ 18,310
Total	\$ 18,310	\$ 18,310

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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

Transfers between the primary government funds during the 2015 year were as follows:

Transfer in:	Transfer out:		
	Debt		
	Service	Water	Total
General	\$ -	\$ 392,077	\$ 392,077
Water	394,063	-	394,063
Utility Equipment Reserve	-	26,200	26,200
Total	\$ 394,063	\$ 418,277	\$ 812,340

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

IV. OTHER INFORMATION

A. Risk Management

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

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

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

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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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, 2015

D. Defined Benefit Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City of Granite Shoals, Texas participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.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, 2015

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 2014</u>	<u>Plan Year 2015</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, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	17
Active employees	<u>32</u>
Total	<u>54</u>

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 3.12% and 4.25% in calendar years 2014 and 2015, respectively. The City's contributions to

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

TMRS for the year ended September 30, 2015, were \$63,558, and were equal to the required contributions.

4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2014, 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, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

(expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	<u>5.0%</u>	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. 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.

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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 7.0%, 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
\$ 188,895	\$ 33,010	\$ (95,611)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/13	\$ 845,281	\$ 835,432	\$ 9,849
Changes for the year:			
Service cost	128,541	-	128,541
Interest	62,140	-	62,140
Difference between expected and actual experience	2,977	-	2,977
Contributions – employer	-	47,394	(47,394)
Contributions – employee	-	75,836	(75,836)
Net investment income	-	47,807	(47,807)
Benefit payments, including refunds of emp. contributions	(43,675)	(43,675)	-
Administrative expense	-	(499)	499
Other changes	-	(41)	41
Net changes	149,983	126,822	23,161
Balance at 12/31/14	\$ 995,264	\$ 962,254	\$ 33,010

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.tmrs.com.

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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

For the year ended September 30, 2015, the City recognized pension expense of \$59,539.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and investment earnings	\$ 2,406	\$ -
Differences between expected and actual economic experience	8,538	-
Contributions subsequent to the measurement date	50,300	-
Total	\$ 61,244	\$ -

The City reported \$50,300 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2015	\$ 2,706
2016	2,706
2017	2,706
2018	2,704
2019	122
2020	-
Thereafter	-
	\$ 10,944

Supplemental Death Benefits Fund

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, 2015

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 offers supplemental death to:	Plan Year 2014	Plan Year 2015
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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

The City's contributions to the TMRS SDBF for the years ended 2015, 2014 and 2013 were \$643, \$444 and \$0, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates
(RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2013	0.00%	0.00%	0.0%
2014	0.03%	0.03%	100.0%
2015	0.04%	0.04%	100.0%

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

E. Restatement

The City has restated beginning fund balance/net position within governmental activities, business-type activities, general, and water, and the street maintenance sales tax funds due to a change in the reporting of accruals, capital assets, and the implementation of a new accounting pronouncement. The restatement of beginning net position/fund balance is as follows:

	Governmental		General		Nonmajor
	Activities				
Prior year ending net position/ fund balance as reported	\$ 2,533,307	\$	174,573	\$	214,072
Reclassification of funds	-		(15,653)		15,653
Change in accounting standard - GASB 68	19,614		-		-
Change in reporting of accrued interest	35,041		-		-
Change in reporting of accrued wages	(9,733)		(9,733)		-
Change in reporting of accrued revenue	45,574		45,574		-
Change in reporting of sales tax accrual	32,017		25,614		6,403
Change in reporting of compensated absences	-		71,585		-
Change in reporting of capital assets	28,525		-		-
Restated beginning net position/fund balance	<u>\$ 2,684,345</u>	\$	<u>291,960</u>	\$	<u>236,128</u>

	Business-type		Water		Nonmajor
	Activities				
Prior year ending net position as reported	\$ 3,428,470	\$	3,376,282	\$	52,188
Reclassification of funds	-		12,188		(12,188)
Change in accounting standard - GASB 68	4,601		4,601		-
Change in reporting of accrued interest	(31,010)		(31,010)		-
Change in reporting of accrued wages	(2,059)		(2,059)		-
Change in reporting of accrued revenue	111,300		111,300		-
Change in reporting of capital assets	13,750		13,750		-
Restated beginning net position	<u>\$ 3,525,052</u>	\$	<u>3,485,052</u>	\$	<u>40,000</u>

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

F. New Accounting Pronouncements

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As part of GASB 68 the City is required to record its net funded pension liability.

GASB also issued Statement No. 69, entitled *Government Combinations and Disposals of Government Operation*, and GASB Statement No. 70, entitled *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Both statements were adopted this fiscal year but had no effect on these accompanying financial statements.

The, GASB has issued Statement No. 72, entitled *Fair Value Measurement and Application*; Statement No. 73, entitled, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 74 entitled, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 76; entitled, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*; and GASB Statement No. 77; entitled, *Tax Abatement Disclosures, which will require adoption in the future, if applicable*. These statements may or will have a material effect on the City's financial statements once implemented. The City will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

G. Subsequent Events

There were no material subsequent events through May 19, 2016, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

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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, 2015

	Original Budget	Final Budget	2015 Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property tax	\$ 1,207,012	\$ 1,207,012	\$ 1,218,234	\$ 11,222
Sales tax	120,000	120,000	136,533	16,533
Franchise and local taxes	142,500	142,500	154,557	12,057
Intergovernmental	241,933	262,053	248,143	(13,910)
Charges for services	321,719	321,719	322,019	300
License and permits	41,000	41,000	64,078	23,078
Fines and forfeitures	90,000	114,500	122,462	7,962
Sanitation sales	579,450	579,450	594,419	14,969
Investment income	3,000	3,000	3,357	357
Other revenue	44,550	54,880	67,928	13,048
Total Revenues	2,791,164	2,846,114	2,931,730	85,616
<u>Expenditures</u>				
Current:				
Municipal court	90,248	97,384	98,448	(1,064)
Finance and administration	720,344	722,862	751,323	(28,461)
Police	830,755	934,095	959,312	(25,217)
Fire protection	366,813	371,510	376,237	(4,727)
Streets and parks	440,616	443,019	365,933	77,086
Animal control	73,795	72,942	63,983	8,959
Code compliance	125,180	127,657	123,598	4,059
Sanitation	482,400	482,400	494,625	(12,225)
Debt Service:				
Principal	-	17,720	17,720	-
Interest and fiscal charges	-	1,858	1,858	-
Capital outlay	-	216,117	140,637	75,480
Total Expenditures	3,130,151	3,487,564	3,393,674	93,890
Revenues Over (Under) Expenditures	(338,987)	(641,450)	(461,944)	179,506
<u>Other Financing Sources (Uses)</u>				
Transfers in	392,077	392,077	392,077	-
Proceeds from debt issuance	-	305,988	306,838	850
Gain (loss) on sale of capital assets	-	1,250	12,300	11,050
Total Other Financing Sources (Uses)	392,077	699,315	711,215	11,900
Net Change in Fund Balance	\$ 53,090	\$ 57,865	249,271	\$ 191,406
Beginning fund balance			291,960	
Ending Fund Balance			\$ 541,231	

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

September 30, 2015

	2014 ¹
Total pension liability	
Service cost	\$ 128,541
Interest	62,140
Changes in benefit terms	-
Differences between expected and actual experience	2,977
Changes of assumptions	-
Benefit payments, including refunds of participant contributions	(43,675)
Net change in total pension liability	149,983
Total pension liability - beginning	845,281
Total pension liability - ending (a)	995,264
Plan fiduciary net position	
Contributions - employer	\$ 47,394
Contributions - members	75,836
Net investment income	47,807
Benefit payments, including refunds of participant contributions	(43,675)
Administrative expenses	(499)
Other	(41)
Net change in plan fiduciary net position	126,822
Plan fiduciary net position - beginning	835,432
Plan fiduciary net position - ending (b)	\$ 962,254
Fund's net pension liability (asset) - ending (a) - (b)	\$ 33,010
 Plan fiduciary net position as a percentage of the total pension liability	 97%
Covered employee payroll	\$ 1,516,714
Fund's net position as a percentage of covered employee payroll	2%

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

For the Year Ended September 30, 2015

	<u>9/30/2015</u>	1
Actuarially determined employer contributions	\$ 63,558	
Contributions in relation to the actuarially determined contribution	\$ 63,558	
Contribution deficiency (excess)	\$ -	
Annual covered employee payroll	\$ 1,608,453	
Employer contributions as a percentage of covered employee payroll		3.32%

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	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
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.

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

City of Granite Shoals, Texas

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2015

	Restricted Park	Hotel Tax Fund	Street Maintenance Sales Tax	Police Seizure
<u>Assets</u>				
Cash and cash equivalents	\$ 47,452	\$ 101,757	\$ 9,633	\$ 2,951
Receivables, net	-	-	5,832	-
Total Assets	\$ 47,452	\$ 101,757	\$ 15,465	\$ 2,951
<u>Liabilities</u>				
Accounts payable	\$ 11,725	\$ -	\$ 2,972	\$ -
Total Liabilities	11,725	-	2,972	-
<u>Fund Balances</u>				
Restricted for:				
Streets and parks	35,727	-	12,493	-
Tourism	-	101,757	-	-
Enabling legislation	-	-	-	2,951
Total Fund Balances	35,727	101,757	12,493	2,951
Liabilities and Fund Balances	\$ 47,452	\$ 101,757	\$ 15,465	\$ 2,951

Law Enforcement Education	City Cleanup	Court Technology	Court Security	Total
\$ 2,651	\$ 33,912	\$ 1,515	\$ 1,658	\$ 201,529
-	-	-	-	5,832
<u>\$ 2,651</u>	<u>\$ 33,912</u>	<u>\$ 1,515</u>	<u>\$ 1,658</u>	<u>\$ 207,361</u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
\$ -	\$ -	\$ -	\$ -	\$ 14,697
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,697</u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
-	33,912	-	-	82,132
-	-	-	-	101,757
2,651	-	1,515	1,658	8,775
<u>2,651</u>	<u>33,912</u>	<u>1,515</u>	<u>1,658</u>	<u>192,664</u>
<u>\$ 2,651</u>	<u>\$ 33,912</u>	<u>\$ 1,515</u>	<u>\$ 1,658</u>	<u>\$ 207,361</u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </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, 2015

	Restricted Park	Hotel Tax Fund	Street Maintenance Sales Tax	Police Seizure
<u>Revenues</u>				
Sales tax	\$ -	\$ -	\$ 34,059	\$ -
Hotel occupancy tax	-	22,027	-	-
Intergovernmental	166,251	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	2,323
Investment income	132	39	4	-
Contributions and donations	66,220	-	-	-
Other revenue	52,831	-	-	-
Total Revenues	285,434	22,066	34,063	2,323
<u>Expenditures</u>				
Streets and parks	366,282	-	30,000	-
Tourism	-	4,448	-	-
Public safety	-	-	-	2,163
Total Expenditures	366,282	4,448	30,000	2,163
Revenues Over (Under)				
Expenditures	(80,848)	17,618	4,063	160
Net Change in Fund Balances	(80,848)	17,618	4,063	160
Beginning fund balances	116,575	84,139	8,430	2,791
Ending Fund Balances	\$ 35,727	\$ 101,757	\$ 12,493	\$ 2,951

Law Enforcement Education	City Cleanup	Court Technology	Court Security	Total
\$ -	\$ -	\$ -	\$ -	\$ 34,059
-	-	-	-	22,027
-	17,751	-	-	184,002
-	25,651	-	-	25,651
1,164	-	2,735	2,052	8,274
-	-	-	-	175
-	-	-	-	66,220
-	594	-	-	53,425
<u>1,164</u>	<u>43,996</u>	<u>2,735</u>	<u>2,052</u>	<u>393,833</u>
-	21,374	-	-	417,656
-	-	-	-	4,448
1,938	-	2,877	8,215	15,193
<u>1,938</u>	<u>21,374</u>	<u>2,877</u>	<u>8,215</u>	<u>437,297</u>
(774)	22,622	(142)	(6,163)	(43,464)
(774)	22,622	(142)	(6,163)	(43,464)
3,425	11,290	1,657	7,821	236,128
<u>\$ 2,651</u>	<u>\$ 33,912</u>	<u>\$ 1,515</u>	<u>\$ 1,658</u>	<u>\$ 192,664</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, 2015

	Original and Final Budget	2015 Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Property tax	\$ 896,037	\$ 916,726	\$ 20,689
Investment income	350	759	409
Total Revenues	896,387	917,485	21,098
<u>Expenditures</u>			
Debt Service:			
Principal	587,662	353,446	234,216
Interest and fiscal charges	396,034	216,543	179,491
Total Expenditures	983,696	569,989	413,707
Revenues Over (Under) Expenditures	(87,309)	347,496	434,805
<u>Other Financing Sources (Uses)</u>			
Transfers out	-	(394,063)	(394,063)
Total Other Financing Sources (Uses)	-	(394,063)	(394,063)
Net Change in Fund Balance	\$ (87,309)	(46,567)	\$ 40,742
Beginning fund balance		474,092	
Ending Fund Balance		\$ 427,525	

Notes to Required Supplementary Information

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

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