

CITY OF GROESBECK, TEXAS

ANNUAL FINANCIAL REPORT

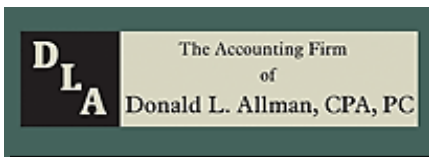
For the Year Ended September 30, 2015

Introductory Section

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Annual Financial Report
For the Year Ended September 30, 2015
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Financial Section



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CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Mayor and City Council
City of Groesbeck, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Groesbeck, Texas as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Groesbeck, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinions

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Groesbeck, Texas 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted the United States of America require that the management's discussion and analysis, budgetary comparison information, and Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions on pages 3-9, and 46-48, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2016 on our consideration of the City of Groesbeck, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting on or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Groesbeck, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

Donald L. Allman, CPA, PC

Georgetown, Texas
July 15, 2016



JACKIE LEVINGSTON
Mayor

KIM HARRIS
Council Member

CHRIS HENSON
Mayor Pro tem

RICHARD OUTLAW
Council Member

RONNIE FRITZ
Deputy Mayor Pro tem

BOB ZEMAN
Council Member

Chris Henson
Interim City Administrator & Police Chief

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the city of Groesbeck's annual financial report presents our discussion and analysis of the City's financial performance during the year ended September 30, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total combined net position on financial statement exhibit A-1 was \$7,878,145 at September 30, 2015.
- During the year, the City's proprietary fund reported net income of \$237,624 before transfers.
- The general fund reported a general fund balance this year on financial statement exhibit A-3 of \$671,543. The general fund began the current year with a fund balance in the amount of \$810,767. A majority of the decrease in fund balance was attributable to increased expenses in general government and public safety.
- The City's general fund reported a net loss of \$296,728 before transfers.
- The economic development fund reported a fund balance this year on financial statement exhibit A-3 of \$269,639. The economic development fund began the current year with a fund balance in the amount of \$245,360.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how general government services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide the information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to which the resources in question belong.
- *Business-type* activities fund statements provide information about the for-profit activities and services.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets and deferred outflows of resources less liabilities and deferred inflows of resources – is one way to measure the city's financial health or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental Activities* and *Business-type Activities*. Most of the City's basic services are included as *Governmental Activities*, such as general government, public safety, public services, and sanitation. Property taxes, sales taxes, charges for services and grants finance most of these activities. The City's enterprise revenues are reflected as *Business-type Activities*.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds* – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds* – The City charges customers for the services it provides, whether to outside customers or to other units within the city. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Fiduciary funds – The City is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities for the city's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was 7.9 million at September 30, 2015. (See Table A-1).

Table A-1
City of Groesbeck's Net Position
(In million dollars)

	September 2014	September 2013	Total Percentage Change Sept. 2014 - Sept. 2013
Current assets:			
Cash and cash equivalents	\$ 0.7	\$ 0.4	75
Investments	0.7	3.0	(77)
Due from other governments	-	-	-
Other receivables	0.6	0.9	(33)
Inventories - supplies and materials	<u>0.1</u>	<u>0.1</u>	-
Total current assets	<u>2.1</u>	<u>4.4</u>	<u>(52.3)</u>
Noncurrent assets:			
Land, furniture and equipment	23.3	21.5	8
Less accumulated depreciation	(8.5)	(7.8)	9
Other assets	0.2	0.2	-
Total noncurrent assets	<u>15.0</u>	<u>13.9</u>	<u>8</u>
Total Assets	<u>17.1</u>	<u>18.3</u>	<u>(7)</u>

Table A-1
City of Groesbeck's Net Position
(In million dollars)

	September 2015	September 2014	Total Percentage Change Sept. 2015 - Sept. 2014
Current assets:			
Cash and cash equivalents	\$ 1.2	\$ 0.7	71
Investments	0.4	0.7	(43)
Due from other governments	-	-	-
Other receivables	0.6	0.6	-
Inventories - supplies and materials	<u>-</u>	<u>0.1</u>	<u>(100)</u>
Total current assets	<u>2.2</u>	<u>2.1</u>	<u>4.8</u>
Noncurrent assets:			
Land, furniture and equipment	23.5	23.3	1
Less accumulated depreciation	(9.2)	(8.5)	8
Other assets	0.2	0.2	-
Total noncurrent assets	<u>14.5</u>	<u>15.0</u>	<u>(3)</u>
Total Assets	<u>16.7</u>	<u>17.1</u>	<u>(2)</u>
Deferred outflows of resources	<u>-</u>	<u>0.1</u>	<u>-</u>

Table A-1
City of Groesbeck's Net Position
(In million dollars)

	September 2015	September 2014	Total Percentage Change Sept. 2015 - Sept. 2014
Current liabilities:			
Account payable and accrued liabilities	\$ 0.3	\$ 0.1	200
Short-term debt	-	0.1	(100)
Consumer deposits	0.2	0.1	100
Total current liabilities	0.5	0.3	67
Long-term liabilities:			
Net Pension Liability	0.1	0.2	
Noncurrent liabilities due in one year	0.6	0.6	-
Noncurrent liabilities due more than 1 year	7.6	8.2	(7)
Total long term Liabilities	8.3	9.0	(8)
 Deferred inflows of resources	 -	 -	 -
Net Position:			
Net Investment in Capital Assets	6.0	6.0	-
Restricted	1.0	1.0	-
Unrestricted	0.9	0.9	-
Total Net Position	\$ 7.9	\$ 7.9	\$ -

As of September 30, 2015, the City has \$724,598 in restricted net position that represent proceeds for debt service. The \$870,147 of unrestricted net position represents resources to be available to fund the programs of the City next year.

Changes in net position – The City’s total revenues were \$4,660,088. A significant portion, 39 percent, of the City’s revenue comes from taxes, while 60 percent relates to charges for services.

The total cost of all programs and services was \$4,623,496, with 63 percent of these costs being for governmental activities.

Table A-2
Changes in City of Groesbeck's Net Position
(In million dollars)

	September 2015	September 2014	Total Percentage Change Sept. 2015 - Sept. 2014
Program Revenues:			
Charges for Services	\$ 2.8	\$ 2.7	4
Operating Grants and Contribution	0.1	0.2	(50)
Capital Grants and Contributions	-	-	-
Grant Revenues			
Taxes	1.8	2.1	(14)
Investment Earnings	-	-	-
Other	-	-	-
Total Revenues	4.7	5.0	(6)
General Government			
Public Safety	0.8	1.0	(20)
Highways and Streets	0.3	0.3	-
Sanitation	0.5	0.4	25
Culture and Recreation	0.3	0.3	-
Economic Development Assistance	0.2	0.2	-
Water and Sewer	1.8	2.1	(14)
Other	0.1	0.1	-
Total Expenses	4.7	5.3	(11)
Excess Before Other Resources			
Uses and Transfers	-	(0.3)	(100)
Prior Period Adjustment	-	(0.1)	-
Transfers In (Out)	-	-	-
Increase in Net Position	-	(0.4)	(100)

Table A-3 presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local as local tax dollars.

The cost of all *governmental activities* this year was 2.917 million.

However, the amount that our taxpayers paid for these activities through property taxes was only \$874 thousand.

Some of the cost was paid by those who directly benefited from the programs \$874 thousand.

Table A-3
Net Cost of Selected City Functions
(In million dollars)

	Total Cost of Services			Net Cost of Services		
	September 2015	September 2014	% Change	September 2015	September 2014	% Change
General Government	\$ 0.7	\$ 0.9	(22)	\$ 0.4	\$ 0.9	(56)
Public Safety	0.8	1.0	(20)	0.7	1.0	(30)
Highways and Streets	0.3	0.3	-	0.3	-	100

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

Total revenues actually received were \$45,899 more than budgeted, and total expenses were \$223,680 more than budgeted, due. So operating expenses were more than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the City had invested \$23,473,540 in a broad range of capital assets, including land, equipment, buildings, infrastructure and vehicles (See Table A-4). This amount represents a net decrease (including additions and depreciation) of \$570,489 or 4% over last year.

Table A-4
City's Capital Assets
(In millions of dollars)

	September 2015	September 2014	Total Percentage Change Sept. 2015 - Sept. 2014
Land	\$ 1.0	\$ 1.0	-
Infrastructure	1.1	1.1	-
Buildings and improvements	16.3	16.2	1
Water and sewer system	2.0	2.0	-
Equipment	2.9	2.8	4
Leased assets	0.2	0.2	-
Totals at historical cost	23.5	23.3	1
Total accumulated depreciation	(9.2)	(8.5)	8
Net capital assets	\$ 14.3	\$ 14.8	(3)

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

Long Term Debt

At year-end the City had \$8.4 million in bonds, leases and notes outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-5
City's Long Term Debt
(In millions of dollars)

	September 2015	September 2014	Total Change Sept.2015 - Sept. 2014	Percentage
Leases payable	\$ -	\$ 0.1		(100)
Bonds payable	7.9	8.4		(6)
Notes payable	0.3	0.3		-
Net Pension Liability	0.2	0.2		-
Less deferred amount On refundings	-	-		
Totals bonds & notes payable	\$ 8.4	\$ 9.0		(7)

Economic Factors and Next Year's budgets and Rates

The City's budgetary general fund balance is not expected to change appreciably by the close of fiscal year 2015.

Contacting the City's Financial Management

This financial report is to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Groesbeck's Business Services Department at P.O. Box 227, Groesbeck, Texas 76672 or phone number 254-729-3293.

Basic Financial Statements

CITY OF GROESBECK, TEXAS
STATEMENT OF NET POSITION
September 30, 2015

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and Cash Equivalents	\$ 68,080	\$ 300,371	\$ 368,451
Investments	178,480	163,777	342,257
Receivables (net of allowances for uncollectibles)	309,805	252,914	562,719
Internal Balances	-	-	-
Receivable from Fiduciary	-	-	-
Inventory	3,283	51,902	55,185
Bond Issuance Costs	-	198,011	198,011
Restricted assets:			
Cash	289,974	529,695	819,669
Investments	85,275	-	85,275
Land	881,278	59,421	940,699
Building & Equipment, net	4,227,037	9,074,997	13,302,034
Total Assets	6,043,212	10,631,088	16,674,300
Deferred Outflows of Resources	47,243	30,279	77,522
LIABILITIES			
Accounts Payable and Other Current Liabilities	144,784	37,768	182,552
Short-Term Debt	-	-	-
Consumer Deposits	-	161,574	161,574
Unearned revenue-property taxes	110,475		110,475
Accrued Liabilities	8,095	-	8,095
Notes Payable - Current	52,951	-	52,951
Leases Payable - Current	9,354	-	9,354
Bonds Payable - Current	95,000	444,000	539,000
Noncurrent Liabilities			
Net Pension Liability	105,672	67,728	173,400
Notes Payables - Noncurrent	212,046	-	212,046
Leases Payables - Noncurrent	30,621	-	30,621
Bonds Payable - Noncurrent	1,335,000	6,050,000	7,385,000
Total Liabilities	2,103,998	6,761,070	8,865,068
Deferred Inflows of Resources	5,246	3,363	8,609
Net Investment in Capital Assets	3,373,343	2,640,418	6,013,761
Restricted For:			-
Debt Service	194,903	529,695	724,598
Construction	-	-	-
Other	-	-	-
Economic Development Corporation	269,639	-	269,639
Unrestricted	143,326	726,821	870,147
Total Net Position	\$ 3,981,211	\$ 3,896,934	\$ 7,878,145

The accompanying notes are an integral part of this statement

CITY OF GROESBECK, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2015

	General Fund	Economic Development Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND OTHER DEBITS				
Assets:				
Cash and Cash Equivalents	\$ 170,481	\$ 95,071	\$ 92,502	\$ 358,054
Investments	77,951	85,275	100,529	263,755
Receivables (net of allowance for uncollectibles)	221,113	88,692	-	309,805
Due from Other Funds	-	-	-	-
Inventory	3,283			3,283
Restricted Assets:				
Cash		-	-	-
Investments	-	-	-	-
Total Assets and Other Debits	\$ 472,828	\$ 269,038	\$ 193,031	\$ 934,897
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 144,784	\$ -	\$ -	\$ 144,784
Due to Other Funds	-	-	-	-
Accrued Liabilities	8,095	-	-	8,095
Unearned Revenue	110,475	-	-	110,475
Short-Term Debt	-	-	-	-
Total Liabilities	263,354	-	-	263,354
Fund Balances:				
Nonspendable	3,283	-	-	3,283
Restricted	-	-	-	-
Committed	-	269,038	-	269,038
Assigned	-	-	193,031	193,031
Unassigned	206,191	-	-	206,191
Total Fund Balance	209,474	269,038	193,031	671,543
Total Liabilities and Fund Balance	\$ 472,828	\$ 269,038	\$ 193,031	\$ 934,897

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
September 30, 2015

Total fund balances - governmental funds balance sheet	\$ 671,543
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred Outflows of resources are not recorded in governmental funds	47,243
Deferred Inflows of resources are not recorded in governmental funds	(5,246)
Capital assets used in governmental activities are not reported in the funds.	5,108,315
Property taxes receivable and street paving receivable unavailable to pay for current period expenditures are deferred in the funds.	-
Net Pension Liability is not recorded in governmental funds	(105,672)
Payables for capital leases which are not due in the current period are not reported in the funds	(39,975)
Payables for notes payable which are not due in the current period are not reported in the funds	(264,997)
Payables for bonds payable which are not due in the current period are not reported in the funds.	<u>(1,430,000)</u>
Net position of governmental activities - statement of net position	<u>\$ 3,981,211</u>

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
September 30, 2015

	General Fund	Economic Development Fund	Other Governmental Funds	Total Governmental Funds
Revenue:				
General Property Taxes	\$ 874,931	\$ -	\$ -	\$ 874,931
General Sales and Use Taxes	374,994	170,463	-	545,457
Street Maintenance Sales Tax	-	-	83,088	83,088
Civic Center Sales Tax	-	-	83,088	83,088
Franchise Taxes	152,439	-	-	152,439
Taxes, Hotel - Motel	-	-	60,749	60,749
Intergovernmental	8,000	-	-	8,000
Charges for Services	634,605	10,455	53,871	698,931
Fines	93,684	-	-	93,684
Investment Earnings	578	160	63	801
Contributions and Donations	-	-	19,177	19,177
Total Revenues	2,139,231	181,078	300,036	2,620,345
Expenditures:				
General Government	453,102	-	94,435	547,537
Public Safety	646,821	-	46,280	693,101
Highways and Streets	125,077	-	171,626	296,703
Sanitation	477,719	-	-	477,719
Culture and Recreation	252,371	-	-	252,371
Economic Development and Assistance	-	176,449	-	176,449
Debt Service	93,155	-	115,623	208,778
Capital Outlay	106,911	-	-	106,911
Total Expenditures	2,155,156	176,449	427,964	2,759,569
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,925)	4,629	(127,928)	(139,224)
Other Financing Sources (Uses):				
Operating Transfer In/(Out)	(83,004)	19,049	63,955	-
Grants	-	-	-	-
Bond Proceeds	-	-	-	-
Total Other Financing Sources (Uses)	(83,004)	19,049	63,955	-
Fund Balances - Beginning	308,403	245,360	257,004	810,767
Fund Balances - Ending	\$ 209,474	\$ 269,038	\$ 193,031	\$ 671,543

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
September 30, 2015

Net Change in fund balances - total governmental funds	\$ (139,224)
<p>Amounts reported for governmental activities in the statement of activities ("SOA") are different because:</p>	
Capital outlays are not reported as expenses in the SOA.	106,911
The depreciation of capital assets used in governmental activities is not reported in the funds.	(226,907)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	-
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	8,957
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	156,098
Net Pension expense is not included in governmental funds	(18,319)
	-
Change in net position of governmental activities - statement of activities	\$ (112,484)

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2015

EXHIBIT A-7

		Enterprise Fund	Utility Fund
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$	300,371	
Investments		163,777	
Receivables (net of allowances for uncollectibles)		252,914	
Due from other funds		-	
Inventories		51,902	
Total Current Assets		768,964	
Noncurrent Assets:			
Restricted Cash, Cash Equivalents and Investments -			
Cash and Cash Equivalents		529,695	
Investments		-	
Bond Issuance Costs		198,011	
Land		59,421	
Property, Plant and Equipment - Net		9,074,997	
Total Noncurrent Assets		9,862,124	
Total Assets		10,631,088	
Deferred Outflows of Resources		30,279	
LIABILITIES:			
Current Liabilities:			
Accounts payable		37,768	
Due to other funds		-	
Accrued liabilities		-	
Capital Leases Payable from Restricted Assets -		-	
Current Liabilities Payable from Restricted Assets -			
Consumer deposits		161,574	
Revenue bonds payable		444,000	
Net Pension Liability		67,728	
Noncurrent Liabilities Payable from Restricted Assets -			
Revenue Bonds Payable		6,050,000	
Total Liabilities		6,761,070	
Deferred Inflows of Resources		3,363	
NET POSITION:			
Net Investment in Capital Assets		2,640,418	
Restricted for:			
Debt Service		529,695	
Construction		-	
Other		-	
Retrained Earnings		726,821	
Total Net Position	\$	3,896,934	

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS
September 30, 2015

	Enterprise Fund
	Utility Fund
OPERATING REVENUES:	
Water	1,309,321
Sewer	580,668
Miscellaneous	114,039
Total Operating Revenues	2,004,028
OPERATING EXPENSES:	
Administration expenses	621,619
Water operations	354,675
Sewer operations	135,007
Repairs, maintenance & supplies expense	121,017
Total Pension expense	11,742
Depreciation	462,363
Total Operating Expenses	1,706,423
Operating Loss	297,605
NON-OPERATING REVENUES (EXPENSES):	
Interest Revenue	953
Grants	34,762
Donations and Contributions	-
Interest Expense & Fees	(95,696)
Total Non-operating Revenues (Expenses)	(59,981)
Income before Transfers	237,624
Operating Transfers Out	(184,244)
Change in Net Position	53,380
Total Net Position - Beginning	3,872,624
Beginning net position adjusted	(29,070)
Total Net Position - Ending	\$ 3,896,934

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
September 30, 2015

	<u>Enterprise Fund</u>
	<u>Utility Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 2,002,187
Cash Payments to Employees for Services	(529,622)
Cash Payments to Other Suppliers for Goods & Services	(671,463)
Net cash provided by operating activities	<u>801,102</u>
Cash Flows from Non-capital Financing Activities:	
Operating Transfers To Other Funds	(184,244)
Net cash used for non-capital financing activities	<u>(184,244)</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Issuance of Long-term Debt	-
Grant Proceeds	34,762
Donations and Contributions	-
Principal and Interest Paid	(537,794)
Acquisition or Construction of Capital Assets	(11,850)
Cash Transfers from Restricted Assets for Debt Service/Construction	134,567
Net cash used for capital & related financing activities	<u>(380,315)</u>
Cash Flows from Investing Activities:	
(Increase)/Decrease in Investments	(3,697)
Interest and Dividends on Investments	953
Net cash used for investment activities	<u>(2,744)</u>
Net Decrease in Cash and Cash Equivalents	233,799
Cash and Cash Equivalents at Beginning of Year	66,572
Cash and Cash Equivalents at End of Year	<u>\$ 300,371</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Loss	\$ 297,605
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	462,363
Bond amortization	14,144
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(1,841)
Decrease (Increase) in Interfund Receivables	-
Decrease (Increase) in Inventory	-
Increase (Decrease) in Accounts Payable	1,747
Increase (Decrease) in Accrued Liabilities	(11,666)
Increase (Decrease) in Consumer Deposits	27,008
Total Pension expense is not a cash expense	11,742
Total Adjustments	<u>503,497</u>
Net Cash Provided by Operating Activities	<u>\$ 801,102</u>

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2015

	Agency Fund
	Payroll Clearing Fund
ASSETS:	
Cash and Cash Equivalents	\$ -
Total Assets	-
 DEFERRED OUTFLOWS OF RESOURCES	
	-
 LIABILITIES:	
Accounts Payable	-
Due to Other Funds	-
Total Liabilities	-
 DEFERRED INFLOWS OF RESOURCES	
	-
 NET POSITION	
Fund Balance	\$ -

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

1. Summary of Significant Accounting Policies

The financial statements of City of Groesbeck (the City) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The City's basic financial statements include the accounts of all its operations. The city evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: (1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and (2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and (3) such economic resources are significant to the City.

Based on these criteria, the City has no component units. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements – The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

1. Summary of Significant Accounting Policies

Basis of Presentation, Basis of Accounting

Basis of Presentation

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – This is the city's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Economic Development Fund – The fund accounts for the receipt of dedicated sales tax proceeds and the approved expenditures associated with area economic development.

The City reports the following major enterprise funds:

Utility Fund – This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

In addition, the City reports the following fund types:

Fiduciary funds are reported in the fiduciary fund statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support city programs, these funds are not included in the government-wide statements.

Agency Funds (a fiduciary fund) are used to report activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

1. Summary of Significant Accounting Policies

Basis of Presentation, Basis of Accounting

Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements – These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual-basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The city does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Financial Statement Amounts

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

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. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

1. Summary of Significant Accounting Policies

Financial Statement Amounts

Property Taxes

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Inventories

The City records purchases of supplies as expenditures during the year. Year-end adjustments reflect the purchase method of accounting for inventory. Inventories are recorded at cost on a first-in, first-out basis.

Capital Assets

Purchased or constructed capital assets, including infrastructure assets, are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land	-
Infrastructure	40
Buildings & Improvements	10-40
Water & Sewer Systems	20-50
Equipment & Furniture	3-10

Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

Pensions:

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City'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

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS

b. Measurement Focus, Basis of Accounting (continued)

consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category. • Deferred charges on refunding – 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. • Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year. • Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period. • Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

1. Summary of Significant Accounting Policies
2. Financial Statement Amounts

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single “Transfers” line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single “internal Balances” line of the government-wide statement of net assets.

Fund Equity

The city implemented GASB Statement No. 54 during the year ending September 30, 2013. GASB Statement No. 54 requires analysis and presentation of fund balance in five categories. The new fund balance categories are:

- *Non-spendable* – Includes items that are not in a spendable form because they are either legally or contractually required to be maintained intact.
- *Restricted* – Includes items that are restricted by external creditors, grantors, or contributors, or restricted by legal constitutional provisions.
- *Committed* – Includes items committed by the City Council, by resolution of the Council. Commitments may be modified or rescinded by similar resolution.
- *Assigned* – Includes items assigned by specific uses, authorized by the City Manager and/or finance director.
- *Unassigned* – This is the residual classification used for those balances not assigned to another category in the General Fund. Deficit fund balance in other governmental funds are also presented as unassigned.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed. The order of spending available resources is as follows: restricted, committed, assigned, and unassigned.

The following detail of fund balances by classification is shown for governmental funds.

	General Fund	Economic Development Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Inventory	\$ 3,283	\$ -	\$ -	\$ 3,283
Restricted for:				
Debt Service	-	-	-	-
Committed to:				
Economic development	-	269,038	-	269,038
Street improvements	-	-	-	-
Culture and recreation	-	-	-	-
Assigned to:				
Public safety	-	-	34,037	34,037
Culture and recreation	-	-	26,738	26,738
Unassigned	206,191	-	-	206,191
	<u>\$ 209,474</u>	<u>\$ 269,038</u>	<u>\$ 60,775</u>	<u>\$ 539,287</u>

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

1. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
3. Prior to the start of the fiscal year, the budget is legally enacted through passage of an ordinance by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. During the year, the budget was amended as necessary. All budget appropriations lapse at year end.

Reclassifications

Certain reclassifications have been made to the 2015 information to conform it to the 2015 presentation.

2. Compliance and Accountability

Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

Deficit Fund Balance or Fund Net Position of Individual funds

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None Report	Not Applicable	Not Applicable

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

3. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank pledges securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At September 30, 2015, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,615,652 and the bank balance was \$2,100,096. The City's cash deposits at September 30, 2015 and during the year ended September 30, 2015 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments

The City is required by Government Code chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment and management, and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investment which are allowable for the City. These include with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers applications, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investments at September 30, 2015 are shown below:

<u>Investment</u>	<u>Maturity</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Farmers State Bank CD	Various	\$ 150,336	\$ 150,336
First National Bank of Groesbeck CD	Various	164,000	164,000
First National Bank of Bellville CD	Various	\$ 115,000	\$ 115,000
Logic	Various	811,938	811,938
Total Investments		\$ 1,241,274	\$ 1,241,274

Analysis of Specific Deposit and Investment Risk

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

3. Deposits and Investments

Analysis of Specific Deposit and Investment Risk

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the city's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the city's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

The city's general policy is to report money market investments and short-term participating interest-bearing investment contracts at amortized cost and to report nonparticipating interest-bearing investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with the market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-bearing investment contracts.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

3. Deposits and Investments

Public Funds Investments Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the Act), chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have business relationships with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA- or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

4. Capital Assets

Capital assets activity for the period ended September 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 881,278	\$ -	\$ -	\$ 881,278
Construction in progress	1,520,366	-	1,520,366	-
Total capital assets not being depreciated	2,401,644	-	1,520,366	881,278
Capital assets being depreciated				
Infrastructure	1,106,777	-	-	1,106,777
Buildings and improvements	1,848,030	1,520,366	-	3,368,396
Equipment	1,589,706	106,911	-	1,696,617
Leased assets	259,187	-	-	259,187
Total capital assets being depreciated	4,803,700	1,627,277	-	6,430,977
Less accumulated depreciation for:				
Infrastructure	(131,660)	(28,595)	-	(160,255)
Buildings and improvements	(312,731)	(93,815)	-	(406,546)
Equipment	(1,342,924)	(87,294)	-	(1,430,218)
Leased assets	(189,718)	(17,203)	-	(206,921)
Total accumulated depreciation	(1,977,033)	(226,907)	-	(2,203,940)
Total capital assets being depreciated, net	2,826,667	1,400,370	-	4,227,037
governmental activities capital assets, net	\$ 5,228,311	\$ 1,400,370	\$ 1,520,366	\$ 5,108,315

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

4. Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 59,421	\$ -	\$ -	\$ 59,421
Construction in progress	179,005	-	179,005	-
Total capital assets not being depreciated	<u>238,426</u>	<u>-</u>	<u>179,005</u>	<u>59,421</u>
Capital assets being depreciated				
Buildings and improvements	12,909,626	-	-	12,909,626
Improvements other than buildings	1,989,233	179,005	-	2,168,238
Equipment	1,012,150	11,850	-	1,024,000
Total capital assets being depreciated	<u>15,911,009</u>	<u>190,855</u>	<u>-</u>	<u>16,101,864</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,348,923)	(393,493)	-	(4,742,416)
Improvements other than buildings	(1,239,409)	(47,908)	-	(1,287,317)
Equipment	(976,192)	(20,962)	-	(997,154)
Total accumulated depreciation	<u>(6,564,524)</u>	<u>(462,363)</u>	<u>-</u>	<u>(7,026,887)</u>
Total capital assets being depreciated, net	<u>9,346,485</u>	<u>(271,508)</u>	<u>-</u>	<u>9,074,977</u>
governmental activities capital assets, net	<u>\$ 9,584,911</u>	<u>\$ (271,508)</u>	<u>\$ 179,005</u>	<u>\$ 9,134,398</u>

Depreciation was charged to functions as follows:

General Government	\$ 79,965
Public Safety	57,778
Highways and Streets	25,624
Sanitation	4,383
Culture and Recreation	54,418
Economic Development	4,739
	<u>\$ 226,907</u>

5. Interfund Balances and Activity

Due To and From Other Funds

Balances due to and due from other funds at September 30, 2015, consisted of the following:

	Due From Fund	Amount	Purpose
General Fund	Fiduciary Funds	\$ -	Short-term loans
General Fund	Enterprise Fund	-	Short-term loans
General Fund	Other Governmental Funds	-	Short-term loans
Enterprise Fund	Fiduciary Funds	-	Short-term loans
Enterprise Fund	General Fund	-	Short-term loans
Enterprise Fund	Other Governmental Funds	-	Short-term loans
Total		<u>\$ -</u>	

All amounts due are scheduled to be repaid within one year.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

5. Interfund Balances and Activity

Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2015, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Fiduciary Fund	General Fund	\$ -	Supplement other funds sources
Enterprise Fund	General Fund	184,244	Supplement other funds sources
Total		<u>\$ 184,244</u>	

6. Short-Term Debt Activity

The City accounts for short-term debts for maintenance purposes through the General Fund. Changes in short-term debt for the period ended September 30, 2015, are as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Note Payable to a Bank	\$ 8,023	\$ -	\$ (8,023)	\$ -
Note Payable to a Bank	8,023	-	(8,023)	-
	<u>\$ 16,046</u>	<u>\$ -</u>	<u>\$ (16,046)</u>	<u>\$ -</u>

Governmental Activities

Note payable to a bank due September 30, 2013 at the rate of 4.00%. Original purpose was for the construction of a restroom facility at the City park. The balance at September 30, 2015 is \$0.

Note payable to a bank due September 30, 2014 at the rate of 4.00%. Original purpose was to purchase a fire truck. The balance at September 31, 2015 is \$0.

7. Long-Term Obligations

Long-Term obligation Activity

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Capital leases	\$ 48,932	\$ -	\$ (8,957)	\$ 39,975	\$ 9,354
Notes	326,095	-	(61,098)	264,997	52,951
General obligation bond	1,525,000	-	(95,000)	1,430,000	95,000
Total governmental activities	<u>\$ 1,900,027</u>	<u>\$ -</u>	<u>\$ (165,055)</u>	<u>\$ 1,734,972</u>	<u>\$ 157,305</u>

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2015 are as follows:

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

7. Long-Term Obligations

Long-Term Obligation Activity

Note payable to an agency of the State of Texas in the original amount of \$590,000, dated September 7, 2005. Current interest rate is 3.25% with the note payable being due in monthly installments of \$4,286 through September 1, 2020. The balance at September 30, 2015 is \$235,705. The loan was used by the Economic Development fund to refund an existing debt and to provide resources for future projects.

Note payable to a company in the original amount of \$151,712 dated January 1, 2006 at the rate of 6.00% due in yearly payments of \$20,212 maturing January 20, 2015. The balance at September 30, 2015 is \$0. The loan was used by the Economic Development Fund to install utility lines for a new company.

Note payable to a local school district in the original amount of \$61,500 dated March 25, 2011 at the rate of 6.00% due in monthly installments of \$808 through March 25, 2019. The balance at September 30, 2015 is \$29,292. The loan was used by the General Fund to purchase a building.

Lease payable to a company in the original amount of \$78,156 dated October 4, 2011 at the rate of 4.28% due in yearly payments of \$11,124 maturing March 15, 2019. The balance at September 30, 2015 is \$39,975. The lease was used by the General Fund to purchase equipment.

\$1,605,000 2012 combination tax and revenue certificates of obligation, due in annual installments of \$60,000 to \$95,000 through February 15, 2033, bearing interest at rates ranging from 3.25% to 4.25%. The balance at September 30, 2015 is \$1,430,000.

Bonds payable at September 30, 2015 were comprised of the following issues:

\$635,000 2004 General Obligation Refunding bonds, due in annual installments of \$45,000 to \$70,000 through February 15, 2036, bearing interest at the rate of 3.920%. The balance at September 30, 2015 is \$70,000.

\$1,025,000 2006 tax and utility system surplus revenue certificates of obligation, due in annual installments of \$30,000 to \$35,000 through August 15, 2036, bearing interest at the rate of -0-%. The balance at September 30, 2015 is \$710,000.

\$2,000,000 2007 combination tax and revenue certificates of obligation, due in annual installments of \$100,000 through February 15, 2027, bearing interest at the rate of -0-%. The balance at September 30, 2015 is \$1,200,000.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type activities:					
General obligation bonds	\$ 6,933,000	\$ -	\$ (439,000)	\$ 6,494,000	\$ 444,000
Capital leases	8,962	-	(8,962)	-	-
	<u>6,941,962</u>	<u>-</u>	<u>(447,962)</u>	<u>6,494,000</u>	<u>444,000</u>
Less deferred amount on bond refundings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 6,941,962</u>	<u>\$ -</u>	<u>\$ (447,962)</u>	<u>\$ 6,494,000</u>	<u>\$ 444,000</u>

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

7. Long-Term Obligations

Long-Term Obligation Activity

\$2,125,000 2008 combination tax and revenue certificates of obligation, due in annual installments of \$71,000 to \$72,000 through February 15, 2040, bearing interest at the rate of -0-%. The balance at September 30, 2015 is \$1,790,000.

\$2,700,000 2010 general obligation refunding bonds, due in annual installments of \$70,000 to \$285,000 through February, 2024, bearing interest rates from 2.00% to 4.00%. The balance at September 30, 2015 is \$2,185,000.

\$580,000 2012 tax notes, due in annual installments of \$12,000 to \$520,000 through February 15, 2018, bearing interest at the rate of 2.1905%. The balance at September 30, 2015 is \$516,000.

Leases payable at September 30, 2015 were comprised of the following issue:

Lease payable to a company in the original amount of \$40,927 dated August 4, 2010 at the rate of 4.65% due in yearly payments of \$9,388 maturing August 4, 2014. The balance at September 30, 2014 is \$0. The lease was used by the Water & Sewer Fund to purchase equipment.

Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2015 are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities-Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	95,000	27,650	122,650
2017	95,000	39,700	134,700
2018	70,000	51,213	121,213
2019	75,000	48,131	123,131
2020	75,000	44,944	119,944
2021-2023	250,000	114,325	364,325
2024-2028	450,000	117,088	567,088
2029-2033	320,000	22,738	342,738
Totals	\$ 1,430,000	\$ 465,789	\$ 1,895,789

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

<u>Year Ending September 30</u>	<u>Governmental Activities-Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	52,591	8,538	61,129
2017	54,560	6,575	61,135
2018	56,604	4,528	61,132
2019	50,621	1,174	51,795
2020	50,621	1,173	51,794
Totals	<u>\$ 264,997</u>	<u>\$ 21,988</u>	<u>\$ 286,985</u>

<u>Year Ending September 30,</u>	<u>Governmental Activities-Leases</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	9,354	1,770	11,124
2017	9,768	1,356	11,124
2018	10,201	923	11,124
2019	10,652	472	11,124
Totals	<u>\$ 39,975</u>	<u>\$ 4,521</u>	<u>\$ 44,496</u>

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

7. Long-Term Obligations

Long-Term Obligation Activity

Debt Service Requirements

<u>Year Ending September 30,</u>	<u>Business-type Activities-Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	444,000	85,695	\$ 529,695
2017	449,000	79,247	\$ 528,247
2018	957,000	67,095	\$ 1,024,095
2019	452,000	54,275	\$ 506,275
2020	447,000	47,000	\$ 494,000
2021-2023	1,421,000	82,800	\$ 1,503,800
2024-2028	1,220,000	5,700	\$ 1,225,700
2029-2033	522,000	-	\$ 522,000
2034-2038	445,000	-	\$ 445,000
2039-2040	137,000	-	\$ 137,000
Totals	\$ 6,494,000	\$ 421,812	\$6,915,812

Prior Year Defeasance of Bonds

During the year ended March 31, 2011, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds were not included in the City's financial statements. Furthermore, as of March 31, 2013, none of the bonds considered defeased were still outstanding.

I. Prior Period Adjustments:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions" an amendment of GASB Statement No. 27," which became effective for fiscal year 2015. This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date.

The implementation of Statement No. 68 resulted restatement of beginning net position for the elimination of the previously reported net pension obligation, the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying these changes results in the adjustments below.

Governmental Activities

Net Position at September 30, 2014
As previously reported \$4,139,051
Recording of net pension liability
as of September 30, 2014 \$(105,467)
Deferral for pension contributions
made after the measurement date \$60,111
Net Position at September 30, 2014
As restated \$4,093,695

Proprietary Activities

Net Position at September 30, 2014
As previously reported \$3,872,624
Recording of net pension liability
as of September 30, 2014 \$(67,597)
Deferral for pension contributions
made after the measurement date \$38,527
Net Position at September 30, 2014
as restated \$3,843,554

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

8. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2013, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its excess risk insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

9. Pension Plan

Plan Description

The City of Groesbeck 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 report (CAFR) that can be obtained at www.tmr.com.

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

B. 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 payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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	9
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>35</u>
Total	56

CITY OF GROESBECK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

C. Contributions

The contribution rate for the employees in TMRS is 5%, 6% and 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 annually determined 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 Groesbeck were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Groesbeck were 5% and 5% in calendar years 2014 and 2015 respectively. The city's contributions to TMRS for the year ended September 30, 2015 were \$35,284, and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 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.

**CITY OF GROESBECK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)**

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

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 (expected returns, net of pension plan 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:

Asset class	Target allocation	Long-Term Expected Real Rate of Return (Arithmetic)
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	5.0%	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 GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

City of Groesbeck	
Schedule of Changes in Net Pension Liability and Related Ratios Current Period	
September 30, 2015	
A. Total pension liability	
1. Service Cost	\$ 81,515
2. Interest (on the Total Pension Liability)	89,657
3. Changes of benefit terms	-
4. Difference between expected and actual experience	(10,564)
5. Changes of assumptions	-
6. Benefit payments, including refunds of employee contributions	(45,389)
7. Net change in total pension liability	\$ 115,219
8. Total pension liability - beginning	1,262,755
9. Total pension liability - ending	<u>\$ 1,377,974</u>
B. Plan fiduciary net position	
1. Contributions - employer	\$ 32,267
2. Contributions - employee	66,371
3. Net investment income	62,339
4. Benefit payments, including refunds of employee contributions	(45,389)
5. Administrative Expense	(651)
6. Other	(54)
7. Net change in plan fiduciary net position	\$ 114,883
8. Plan fiduciary net position - beginning	1,089,691
9. Plan fiduciary net position - ending	<u>\$ 1,204,574</u>
C. Net pension liability [A.9-B.9]	<u>\$ 173,400</u>
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	87.42%
E. Covered-employee payroll	\$ 1,327,419
F. Net pension liability as a percentage of covered employee payroll [C / E]	13.06%

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$339,962	\$173,400	\$32,530

Pension Plan Fiduciary Net Position

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

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

CITY OF GROESBECK		
SCHEDULE OF PENSION EXPENSE		
SEPTEMBER 30, 2015		
1.	Total Service Cost	\$ 81,515
2.	Interest on the Total Pension Liability	89,657
3.	Current Period Benefit Changes	-
4.	Employee Contributions (Reduction of Expense)	(66,371)
5.	Projected Earnings on Plan Investments (Reduction of Expense)	(76,278)
6.	Administrative Expense	651
7.	Other Changes in Fiduciary Net Position	54
8.	Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(1,955)
9.	Recognition of Current Year Outflow (Inflow) of Resources - Assets	2,788
10.	Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	-
11.	Amortization of Prior Year Outflows (Inflows) of Resources - Assets	-
12.	Total Pension Expense	<u>\$ 30,061</u>

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

CITY OF GROESBECK				
SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE				
SEPTEMBER 30, 2015				
	Recognition		2014	
	Period (or	Total (Inflow)	Recognized	Deferred
	amortization	or Outflow of	in current	(Inflow) Outflow
	yrs)	Resources	pension expense	in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	5.4027	\$(10,564)	\$ (1,955)	\$ (8,609)
Difference in assumption changes [actuarial (gains) or losses]	5.4027	\$ -	\$ -	\$ -
			<u>\$ (1,955)</u>	<u>\$ (8,609)</u>
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ 13,939	\$ 2,788	\$ 11,151
			<u>\$ 2,788</u>	<u>\$ 11,151</u>
Total:				<u>\$ 2,542</u>
Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:				
	Net deferred			
	outflows			
	(inflows) of			
	resources			
2015	\$ 833			
2016	833			
2017	833			
2018	832			
2019	(789)			
Thereafter	-			
Total	\$ 2,542			

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

Notes to the Financial Statements for an Employer Contributing to a Cost-Sharing Multiple-Employer Defined Benefit Healthcare Plan

Schedule of Contribution Rates

(Retiree-only portion of the rate, for OPEB)

Plan/ Annual Required Percentage of

Calendar Contribution Actual Contribution Made ARC contributed

Year (Rate) (Rate)

2012 0.01% 0.01% 100.0%

2013 0.02% 0.02% 100.0%

2014 0.02% 0.02% 100.0%

2015 0.03% (city to provide) (city to provide)

2016 0.02% (city to provide) (city to provide)

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2015, 2014 and 2013 were 3%, 2%, and 2%, respectively, which equaled the required contributions each year.

10. Health Care Coverage

During the year ended September 30, 2015, employees of the City were covered by a health insurance plan (the Plan). The city paid premiums of \$460 per month per employee to the Plan. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by State statute chapter 172 and was documented by contractual agreement.

11. Restricted Assets

At September 30, 2015, the following cash and investments are classified as restricted on the Balance Sheets of the Governmental Funds and Proprietary Fund:

	Cash and Cash Equivalents	Texpool	Texstar	Logic	Total
Water Deposits	\$ 161,574	\$ -	\$ -	\$ -	\$ 161,574
Construction	-	-	-	-	-
Debt retirement	724,598	-	-	-	724,598
Total	\$ 886,172	\$ -	\$ -	\$ -	\$ 886,172

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

12. Accounts Receivable

General Fund accounts receivable consists substantially of ad valorem tax receivables of \$101,122, amounts due to the City for garbage collection and street paving of \$68,422, due from other governmental agencies for sales tax, fire department donation receivables are \$51,568 for a net of \$ 232,171 .

Economic Development Fund receivable consists of \$ 88,693 due from a company relating to the sale of City property that was financed by the City.

Proprietary fund receivables consist substantially of \$568,024 due to the City for water and sewer services, less an allowance for uncollectible accounts of \$315,110 for a net of \$252,914.

13. Commitments and Contingencies

Contingencies

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 has 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 not 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.

14. Subsequent Events

No subsequent of material audit significance noted.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**CITY OF GROESBECK, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended September 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenue:				
General Property Taxes	\$ 794,561	\$ 794,561	\$ 874,931	\$ 80,370
General Sales and Use Taxes	367,000	367,000	545,457	178,457
Street Maintenance Sales Tax	90,000	90,000	83,088	(6,912)
Civic Center Sales Tax	87,000	87,000	83,088	(3,912)
Franchise Taxes	165,000	165,000	152,439	(12,561)
Taxes, Hotel-Motel	90,000	90,000	60,749	(29,251)
Charges for Services	785,475	785,475	706,931	(78,544)
Fines	195,000	195,000	93,684	(101,316)
Investment Earnings	210	210	801	591
Contributions and Donations	200	200	19,177	18,977
Total revenues	<u>2,574,446</u>	<u>2,574,446</u>	<u>2,620,345</u>	<u>45,899</u>
Expenditures:				
General Government	697,212	697,212	547,537	149,675
Public Safety	741,165	741,165	693,101	48,064
Highways and Streets	387,991	387,991	296,703	91,288
Sanitation	540,000	540,000	477,719	62,281
Culture and Recreation	263,983	263,983	252,371	11,612
Economic Development and Assistance			176,449	176,449
Debt Service	-	-	208,778	(208,778)
Capital Outlay	-	-	106,911	(106,911)
Total Expenditures	<u>2,630,351</u>	<u>2,630,351</u>	<u>2,759,569</u>	<u>223,680</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(55,905)</u>	<u>(55,905)</u>	<u>(139,224)</u>	<u>(83,319)</u>
Other Financing Sources (Uses):				
Other Transfers In	18,000	18,000	-	(18,000)
Grants	-	-	-	-
Bond Proceeds	-	-	-	-
Total Other Financing Sources (Use)	<u>18,000</u>	<u>18,000</u>	<u>-</u>	<u>(18,000)</u>
Net Change in Fund Balances	(37,905)	(37,905)	(139,224)	(101,319)
Fund Balances - Beginning	<u>810,767</u>	<u>810,767</u>	<u>810,767</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 772,862</u>	<u>\$ 772,862</u>	<u>\$ 671,543</u>	<u>\$ (101,319)</u>

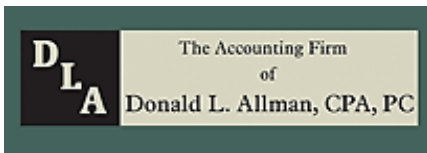
See Auditors' Report.

City of Groesbeck				
Schedule of Changes in Net Pension Liability and Related Ratios				
Last ten years (will ultimately be displayed)				
Total pension liability	2014	####	####	####
1. Service Cost	\$ 81,515	xxxx	xxxx	xxxx
2. Interest (on the Total Pension Liability)	89,657	xxxx	xxxx	xxxx
3. Changes of benefit terms	-			
4. Difference between expected and actual experience	(10,564)	xxxx	xxxx	xxxx
5. Changes of assumptions	-			
6. Benefit payments, including refunds of employee contributions	(45,389)	xxxx	xxxx	xxxx
7. Net change in total pension liability	\$ 115,219	xxxx	xxxx	xxxx
8. Total pension liability - beginning	1,262,755	xxxx	xxxx	xxxx
9. Total pension liability - ending	\$ 1,377,974	xxxx	xxxx	xxxx
Plan fiduciary net position				
1. Contributions - employer	\$ 32,267	xxxx	xxxx	xxxx
2. Contributions - employee	66,371	xxxx	xxxx	xxxx
3. Net investment income	62,339	xxxx	xxxx	xxxx
4. Benefit payments, including refunds of employee contributions	(45,389)	xxxx	xxxx	xxxx
5. Administrative Expense	(651)	xxxx	xxxx	xxxx
6. Other	(54)	xxxx	xxxx	xxxx
7. Net change in plan fiduciary net position	\$ 114,883	xxxx	xxxx	xxxx
8. Plan fiduciary net position - beginning	1,089,691	xxxx	xxxx	xxxx
9. Plan fiduciary net position - ending	\$ 1,204,574	xxxx	xxxx	xxxx
Net pension liability [A.9-B.9]	\$ 173,400	xxxx	xxxx	xxxx
Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]				
	87.42%	xxxx	xxx	xxx
Covered-employee payroll	\$ 1,327,419	xxxx	xxx	xxx
Net pension liability as a percentage of covered employee payroll [C / E]				
	13.06%	xxxx	xxxx	xxx

City of Groesbeck								
Schedule of Contributions								
Last 10 Fiscal Years (will ultimately be displayed)								
September 30, 2015								
		2014	2015	2016	2017			
Actually Determined Contribution		\$ 1,377,974	xxx,xxx	\$xxx,xxx	\$xxx,xxx			
Contributions in relation to the actuarially determined contribution		<u>1,204,574</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>			
		-		xxx,xxx	xxx,xxx			
Contribution deficiency (excess)		173,400	xxx,xxx	xxx,xxx	xxx,xxx			
Covered employee payroll		\$ 1,327,419	xxx,xxx	\$xxx,xxx	\$xxx,xxx			
Contributions as a percentage of covered employee payroll		90.75%	xx.xx%	xx.xx%	xx.xx%			
	Notes to Schedule							
Valuation Date determined		12/31/2014						
Notes								
Valuation Date:								
Notes		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		24 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 specefic 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 Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.



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CERTIFIED PUBLIC ACCOUNTANT

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

To the Mayor & City Council
City of Groesbeck, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Groesbeck, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Texas, Texas' basic financial statements, and have issued our report thereon dated July 15, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Donald L. Allman, CPA, PC

Georgetown, TX
July 15, 2016

