



ANNUAL FINANCIAL REPORT 2022

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2022

CITY OF
GRANITE SHOALS, TX

2221 N. PHILLIPS RANCH ROAD | GRANITE SHOALS TX 78654
WWW.GRANITESHOALS.ORG | 830.598.2424

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ANNUAL FINANCIAL REPORT

of the

City of Granite Shoals, Texas

**For the Year Ended
September 30, 2022**

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City of Granite Shoals, Texas

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Granite Shoals, Texas:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Granite Shoals, Texas (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Granite Shoals, Texas, as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Granite Shoals, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note V.E. to the financial statements, due to corrections to accrued liabilities in the prior year, the City restated its beginning net position/fund balance within governmental activities, business-type activities, the general fund, and the water and sewer fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in the other postemployment benefits liability and related ratios, and budgetary comparison information, as listed in the table of contents, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental information, such as the combining and individual nonmajor fund financial statements and the schedule of revenues, expenditures, and changes in net position, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Brooks Watson & Co.
Certified Public Accountants
Houston, Texas
June 12, 2023

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

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City of Granite Shoals, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2022

As management of the City of Granite Shoals, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information contained in this report.

Financial Highlights

- The City's total combined net position was \$16,536,084 at September 30, 2022. Of this, \$5,741,188 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$3,027,209, a decrease of \$1,230.
- As of the end of the year, the unassigned fund balance of the general fund was \$863,323 or 18% of total general fund expenditures.
- The City had an overall increase in net position of \$2,828,447.

Overview of the Financial Statements

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

Government-Wide Statements

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

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

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

City of Granite Shoals, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

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

City of Granite Shoals, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2022

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

Proprietary Funds

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

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Granite Shoals, assets exceed liabilities by \$16,536,084 as of September 30, 2022, in the primary government.

The largest portion of the City's net position, \$8,582,260, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although

City of Granite Shoals, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

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

The following table reflects the condensed Statement of Net Position:

| | 2022 | | | 2021 | | |
|---|----------------------------|-----------------------------|----------------------|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| Current and other assets | \$ 3,462,739 | \$ 11,102,488 | \$ 14,565,227 | \$ 3,417,499 | \$ 9,898,426 | \$ 13,315,925 |
| Long-term assets | 9,491,097 | 11,317,154 | 20,808,251 | 8,683,843 | 9,110,485 | 17,794,328 |
| Total Assets | 12,953,836 | 22,419,642 | 35,373,478 | 12,101,342 | 19,008,911 | 31,110,253 |
| Deferred Outflows of Resources | 85,977 | 16,378 | 102,355 | 82,749 | 15,762 | 98,511 |
| Other liabilities | 1,132,679 | 1,599,790 | 2,732,469 | 838,447 | 1,650,753 | 2,489,200 |
| Long-term liabilities | 4,321,737 | 11,676,104 | 15,997,841 | 4,202,939 | 10,676,469 | 14,879,408 |
| Total Liabilities | 5,454,416 | 13,275,894 | 18,730,310 | 5,041,386 | 12,327,222 | 17,368,608 |
| Deferred Inflows of Resources | 175,928 | 33,511 | 209,439 | 111,316 | 21,203 | 132,519 |
| Net Position: | | | | | | |
| Net investment | | | | | | |
| in capital assets | 4,295,576 | 4,286,684 | 8,582,260 | 3,992,168 | 3,347,829 | 7,339,997 |
| Restricted | 1,558,533 | 654,103 | 2,212,636 | 1,315,869 | 639,510 | 1,955,379 |
| Unrestricted | 1,555,360 | 4,185,828 | 5,741,188 | 1,723,352 | 2,688,909 | 4,412,261 |
| Total Net Position | \$ 7,409,469 | \$ 9,126,615 | \$ 16,536,084 | \$ 7,031,389 | \$ 6,676,248 | \$ 13,707,637 |

City of Granite Shoals, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

Statement of Activities:

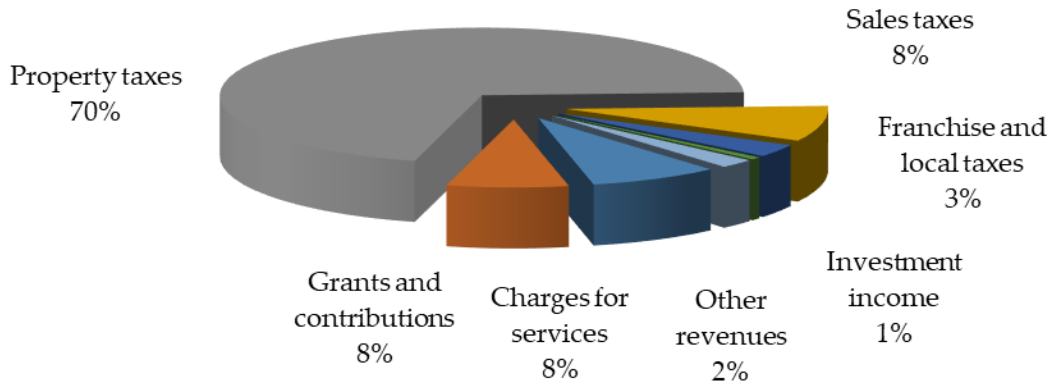
The following table provides a summary of the City's changes in net position:

| | For the Year Ended September 30, 2022 | | | For the Year Ended September 30, 2021 | | |
|-------------------------------|---------------------------------------|-----------------------------|--------------------------------|---------------------------------------|-----------------------------|--------------------------------|
| | Governmental Activities | Business-Type Activities | Total Primary Government | Governmental Activities | Business-Type Activities | Total Primary Government |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 504,019 | \$ 3,001,036 | \$ 3,505,055 | \$ 472,415 | \$ 2,780,898 | \$ 3,253,313 |
| Grants and contributions | 470,876 | 916,989 | 1,387,865 | 1,146,371 | 630,244 | 1,776,615 |
| General revenues: | | | | | | |
| Property taxes | 4,413,347 | - | 4,413,347 | 3,864,073 | - | 3,864,073 |
| Sales taxes | 532,854 | - | 532,854 | 446,272 | - | 446,272 |
| Franchise and local taxes | 192,242 | - | 192,242 | 175,501 | - | 175,501 |
| Investment income | 39,572 | 7,651 | 47,223 | 16,461 | - | 16,461 |
| Other revenues | 136,365 | 88,166 | 224,531 | 116,105 | 125,882 | 241,987 |
| Total Revenues | 6,289,275 | 4,013,842 | 10,303,117 | 6,237,198 | 3,537,024 | 9,774,222 |
| Expenses | | | | | | |
| General government | 1,332,481 | - | 1,332,481 | 1,263,101 | - | 1,263,101 |
| Public safety | 2,521,016 | - | 2,521,016 | 2,781,480 | - | 2,781,480 |
| Streets and parks | 891,318 | - | 891,318 | 502,556 | - | 502,556 |
| Tourism | 52,773 | - | 52,773 | 17,800 | - | 17,800 |
| Interest and fiscal charges | 183,397 | 386,039 | 569,436 | 160,125 | 283,979 | 444,104 |
| Utility | - | 2,107,646 | 2,107,646 | - | 1,975,446 | 1,975,446 |
| Total Expenses | 4,980,985 | 2,493,685 | 7,474,670 | 4,725,062 | 2,259,425 | 6,984,487 |
| Change in Net Position | | | | | | |
| Before Transfers | 1,308,290 | 1,520,157 | 2,828,447 | 1,512,136 | 1,277,599 | 2,789,735 |
| Transfers | (930,210) | 930,210 | - | 129,246 | (129,246) | - |
| Total | (930,210) | 930,210 | - | 129,246 | (129,246) | - |
| Change in Net Position | 378,080 | 2,450,367 | 2,828,447 | 1,641,382 | 1,148,353 | 2,789,735 |
| Beginning Net Position | 7,031,389 | 6,676,248 | 13,707,637 | 5,390,007 | 5,527,895 | 10,917,902 |
| Ending Net Position | \$ 7,409,469 | \$ 9,126,615 | \$ 16,536,084 | \$ 7,031,389 | \$ 6,676,248 | \$ 13,707,637 |

City of Granite Shoals, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

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

Governmental Activities - Revenues

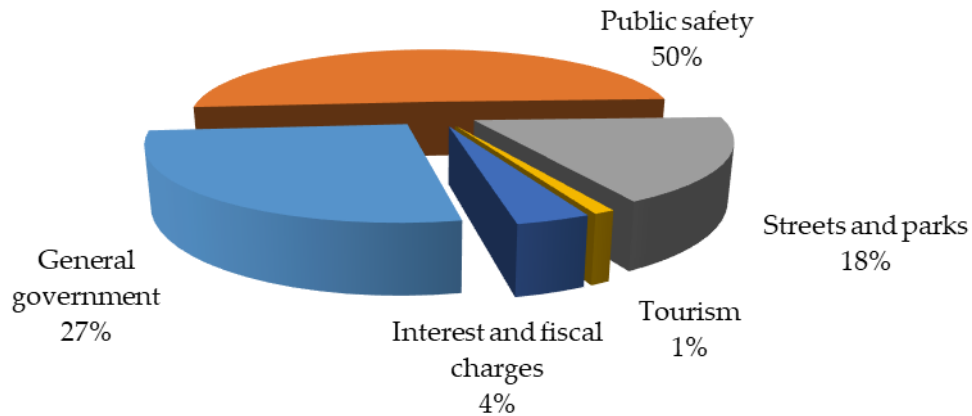


For the year ended September 30, 2022, revenues from governmental activities totaled \$6,289,275. Property tax and sales tax revenues are the City's largest general revenue sources. Grants and contributions decreased \$675,495 due to nonrecurring grant funds from FEMA and the Texas Parks and Wildlife in the previous year. Property tax increased by \$549,274 or 14% when compared to 2021 due to an increase in overall assessed property values and an increase in the property tax rate. Sales taxes increased by \$86,582 or 19%. This is a result of a continuation of the number of citizens staying and shopping online and locally. Charges for services increased by \$31,604 or 7% primarily due to more license and permits issued during the year. Franchise taxes increased \$16,741 or 10% primarily due to the increased activity within the City. Investment income increased by \$23,111 due to the change in the utilization of interest-bearing accounts. Other revenues increased \$20,260 or 17% due to nonrecurring insurance recoveries and gain on sale of old equipment received in the current year.

City of Granite Shoals, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses

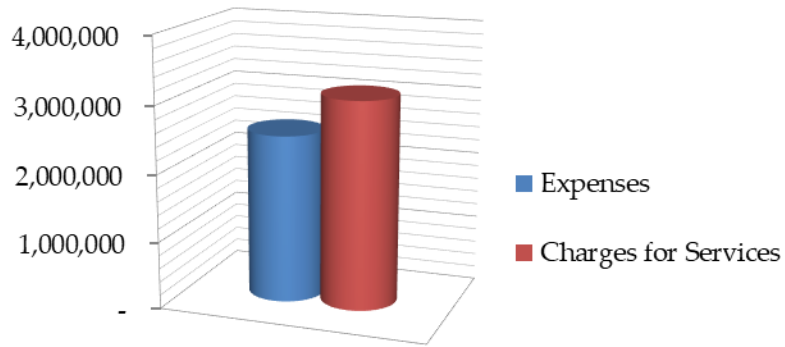


For the year ended September 30, 2022, expenses for governmental activities totaled \$4,980,985. This represents an increase of \$255,923 from the prior year. The City's largest functional expense is public safety of \$2,521,016, which decreased by \$260,464 or 9% from the prior year. The decrease was primarily related to the nonrecurring purchase of noncapital equipment in the previous year, and personnel changes. Streets and parks expenses increased by \$388,762 or 77%. This increase is primarily due to noncapital road maintenance projects and personnel changes. Tourism expenses increased by \$34,973 due to nonrecurring cost of new local events hosted in the current year to draw visitors to the city. Interest and fiscal charges increased \$23,272 or 15%, due primarily to new debt issued and increased interest costs in servicing debt. All other expenses remained relatively consistent with the previous year.

City of Granite Shoals, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

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

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2022, charges for services by business-type activities totaled \$3,001,036, an increase of \$220,138 or 8% from the previous year. This change is primarily a result of an increase in water consumption compared to the previous year.

Total operating expenses increased by \$234,260 or 10% during the year, which is primarily a result of increased utility maintenance and repair related expenses in the current year. Interest and fiscal charges increased by \$132,200 due to the nonrecurring recognition of bond issuance costs in the current year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the year the general fund reflected a total fund balance of \$863,323, which is entirely unassigned. The general fund increased by \$897,895 primarily as a result of transfers in from the water fund, which is consistent with the amount budgeted for the year.

The debt service fund had an ending fund balance of \$798,126 at year end, an increase of \$159,723 from the prior year. The increase was due to property tax revenues exceeding debt service payments and

City of Granite Shoals, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

other financing uses. In addition to transfers out, total governmental principal and interest payments made during the year were \$685,189 and \$163,224, respectively.

There was an overall increase in governmental fund balance of \$1,230 from the prior year. The increase was a result of expenditures exceeding revenues by \$106,020, offset by net other sources of \$104,790.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive revenue variance of \$157,656, in addition to a positive expenditure variance of \$557,441 for the year. Other financing sources had an overall negative budget variance of \$688,033. There was a total positive net budget variance of \$27,064. General fund expenditures were within appropriations at the legal level of control by \$557,441.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$9,271,984 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$11,275,418 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Street improvements totaling \$491,320.
- Ballfield fencing improvements totaling \$28,000.
- Purchase of new vehicles totaling \$308,312.
- Purchase of new equipment totaling \$310,364.
- Water infrastructure development and improvements totaling \$2,637,818.

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

City of Granite Shoals, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

LONG-TERM DEBT

At the end of the current year, the City had total long-term debt outstanding of \$17,365,728, consisting of General Obligation Refunding Bonds of \$12,176,000, Certificates of Obligation of \$3,480,000, notes payable of \$1,188,450, and bond premiums of \$521,277. During the year, the City made governmental and business-type payments on the long-term debt of \$685,189 and \$694,746, respectively. More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Granite Shoals and improving services provided to their public citizens. The City is budgeting to maintain services in the upcoming year and regularly considers local and national economic conditions and how they may have an impact.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

City of Granite Shoals, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2022

| | Primary Government | | |
|--|----------------------------|-----------------------------|-------------------|
| | Governmental Activities | Business-Type Activities | Total |
| <u>Assets</u> | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 3,024,518 | \$ 9,665,961 | \$ 12,690,479 |
| Investments | 106,058 | - | 106,058 |
| Restricted cash | - | 1,055,249 | 1,055,249 |
| Receivables, net | 278,085 | 435,356 | 713,441 |
| Internal balances | 54,078 | (54,078) | - |
| Total Current Assets | 3,462,739 | 11,102,488 | 14,565,227 |
| Capital assets: | | | |
| Non-depreciable | 2,657,329 | 3,207,361 | 5,864,690 |
| Net depreciable capital assets | 6,614,655 | 8,068,057 | 14,682,712 |
| Net pension asset | 219,113 | 41,736 | 260,849 |
| Total Noncurrent Assets | 9,491,097 | 11,317,154 | 20,808,251 |
| Total Assets | 12,953,836 | 22,419,642 | 35,373,478 |
| <u>Deferred Outflows of Resources</u> | | | |
| Pension contributions | 67,428 | 12,844 | 80,272 |
| Pension changes in assumptions | 1,499 | 286 | 1,785 |
| OPEB contributions | 2,190 | 417 | 2,607 |
| OPEB changes in assumptions | 14,860 | 2,831 | 17,691 |
| Total Deferred Outflows of Resources | 85,977 | 16,378 | 102,355 |

City of Granite Shoals, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2022

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| <u>Liabilities</u> | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 238,372 | 317,633 | 556,005 |
| Customer deposits | 26,025 | 425,005 | 451,030 |
| Accrued interest payable | 21,910 | 64,213 | 86,123 |
| Long-term debt - current | 710,094 | 766,547 | 1,476,641 |
| Compensated absences - current | 136,278 | 26,392 | 162,670 |
| Total Current Liabilities | 1,132,679 | 1,599,790 | 2,732,469 |
| Noncurrent liabilities: | | | |
| Long-term debt - noncurrent | 4,230,424 | 11,658,664 | 15,889,088 |
| Compensated absences - noncurrent | 15,143 | 2,932 | 18,075 |
| OPEB liability | 76,170 | 14,508 | 90,678 |
| Total Noncurrent Liabilities | 4,321,737 | 11,676,104 | 15,997,841 |
| Total Liabilities | 5,454,416 | 13,275,894 | 18,730,310 |
| <u>Deferred Inflows of Resources</u> | | | |
| Pension difference in experience | 39,153 | 7,458 | 46,611 |
| Pension investment returns | 123,630 | 23,549 | 147,179 |
| OPEB difference in experience | 13,145 | 2,504 | 15,649 |
| Total Deferred Inflows of Resources | 175,928 | 33,511 | 209,439 |
| <u>Net Position</u> | | | |
| Net investment in capital assets | 4,295,576 | 4,286,684 | 8,582,260 |
| Restricted for: | | | |
| Streets and parks | 488,615 | - | 488,615 |
| Tourism | 124,195 | - | 124,195 |
| Municipal court | 22,340 | - | 22,340 |
| Debt service | 798,126 | - | 798,126 |
| Capital projects | - | 630,244 | 630,244 |
| Pensions | 125,257 | 23,859 | 149,116 |
| Unrestricted | 1,555,360 | 4,185,828 | 5,741,188 |
| Total Net Position | \$ 7,409,469 | \$ 9,126,615 | \$ 16,536,084 |

See Notes to Financial Statements.

City of Granite Shoals, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

| Functions/Programs | Expenses | Program Revenues | |
|---------------------------------------|---------------------|-------------------------|--|
| | | Charges for Services | Operating Grants and Contributions |
| Primary Government | | | |
| Governmental Activities | | | |
| General government | \$ 1,332,481 | \$ 87,862 | \$ 470,876 |
| Public safety | 2,521,016 | 133,397 | - |
| Streets and parks | 891,318 | 282,760 | - |
| Tourism | 52,773 | - | - |
| Interest and fiscal charges | 183,397 | - | - |
| Total Governmental Activities | 4,980,985 | 504,019 | 470,876 |
| Business-Type Activities | | | |
| Water | 2,044,469 | 2,430,781 | 916,989 |
| Solid Waste | 449,216 | 627,062 | - |
| Nonmajor proprietary funds | - | 31,359 | - |
| Total Business-Type Activities | 2,493,685 | 3,089,202 | 916,989 |
| Total Primary Government | \$ 7,474,670 | \$ 3,593,221 | \$ 1,387,865 |

General Revenues:

- Taxes
 - Property taxes
 - Sales taxes
 - Franchise and local taxes
- Investment income
- Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

| Primary Government | | |
|------------------------------------|-------------------------------------|----------------------|
| Governmental Activities | Business-Type Activities | Total |
| \$ (773,743) | \$ - | \$ (773,743) |
| (2,387,619) | - | (2,387,619) |
| (608,558) | - | (608,558) |
| (52,773) | - | (52,773) |
| (183,397) | - | (183,397) |
| <u>(4,006,090)</u> | <u>-</u> | <u>(4,006,090)</u> |
| - | 1,303,301 | 1,303,301 |
| - | 177,846 | 177,846 |
| - | 31,359 | 31,359 |
| <u>-</u> | <u>1,512,506</u> | <u>1,512,506</u> |
| <u>(4,006,090)</u> | <u>1,512,506</u> | <u>(2,493,584)</u> |
| 4,413,347 | - | 4,413,347 |
| 532,854 | - | 532,854 |
| 192,242 | - | 192,242 |
| 39,572 | 7,651 | 47,223 |
| 136,365 | - | 136,365 |
| (930,210) | 930,210 | - |
| <u>4,384,170</u> | <u>937,861</u> | <u>5,322,031</u> |
| 378,080 | 2,450,367 | 2,828,447 |
| 7,031,389 | 6,676,248 | 13,707,637 |
| <u>\$ 7,409,469</u> | <u>\$ 9,126,615</u> | <u>\$ 16,536,084</u> |

City of Granite Shoals, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2022

| | General | Debt Service | Street Maintenance Sales Tax | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|------------------------------------|-----------------------------------|--------------------------------|
| <u>Assets</u> | | | | | |
| Cash and cash equivalents | \$ 1,050,082 | \$ 653,437 | \$ 326,395 | \$ 994,604 | \$ 3,024,518 |
| Investments | 106,058 | - | - | - | 106,058 |
| Receivables, net | 148,659 | 75,038 | 52,563 | 1,825 | 278,085 |
| Due from other funds | 54,078 | 144,689 | - | - | 198,767 |
| Total Assets | \$ 1,358,877 | \$ 873,164 | \$ 378,958 | \$ 996,429 | \$ 3,607,428 |
| <u>Liabilities</u> | | | | | |
| Accounts payable and accrued liabilities | \$ 228,745 | \$ - | \$ - | \$ 9,627 | \$ 238,372 |
| Customer deposits | 26,025 | - | - | - | 26,025 |
| Due to other funds | 144,689 | - | - | - | 144,689 |
| Total Liabilities | 399,459 | - | - | 9,627 | 409,086 |
| <u>Deferred Inflows of Resources</u> | | | | | |
| Unavailable revenue: | | | | | |
| Property tax | 96,095 | 75,038 | - | - | 171,133 |
| Total Deferred Inflows of | 96,095 | 75,038 | - | - | 171,133 |
| <u>Fund Balances</u> | | | | | |
| Restricted for: | | | | | |
| Streets and parks | - | - | 378,958 | 109,657 | 488,615 |
| Tourism | - | - | - | 124,195 | 124,195 |
| Capital projects | - | - | - | 730,610 | 730,610 |
| Municipal court | - | - | - | 22,340 | 22,340 |
| Debt service | - | 798,126 | - | - | 798,126 |
| Unassigned | 863,323 | - | - | - | 863,323 |
| Total Fund Balances | 863,323 | 798,126 | 378,958 | 986,802 | 3,027,209 |
| Inflows of Resources and Fund | | | | | |
| Balances | \$ 1,358,877 | \$ 873,164 | \$ 378,958 | \$ 996,429 | \$ 3,607,428 |

See Notes to Financial Statements.

City of Granite Shoals, Texas

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

September 30, 2022

| | | |
|---|-----------|-------------------------|
| Fund Balances - Total Governmental Funds | \$ | 3,027,209 |
| Adjustments for the Statement of Net Position: | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds. | | |
| Capital assets - non-depreciable | | 2,657,329 |
| Capital assets - net depreciable | | 6,614,655 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. | | |
| Property tax receivable | | 171,133 |
| Net pension asset | | 219,113 |
| Deferred outflows (inflows) of resources, represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow (inflow) of resources (expense/ expenditure) (revenue) until then. | | |
| Pension contributions | | 67,428 |
| Pension difference in experience | | (39,153) |
| Pension changes in assumptions | | 1,499 |
| Pension investment returns | | (123,630) |
| OPEB contributions | | 2,190 |
| OPEB difference in experience | | (13,145) |
| OPEB changes in assumptions | | 14,860 |
| Lease receivable | | |
| Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds. | | |
| Accrued interest | | (21,910) |
| Compensated absences | | (151,421) |
| Long-term debt | | (4,940,518) |
| OPEB liability | | (76,170) |
| Net Position of Governmental Activities | \$ | <u>7,409,469</u> |

See Notes to Financial Statements.

City of Granite Shoals, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2022

| | General | Debt Service | Street Maintenance Sales Tax | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------|-------------------|------------------------------------|-----------------------------------|--------------------------------|
| Revenues | | | | | |
| Property tax | \$ 2,462,592 | \$ 1,938,346 | \$ - | \$ - | \$ 4,400,938 |
| Sales tax | 266,427 | - | 266,427 | - | 532,854 |
| Franchise and local taxes | 136,463 | - | - | 55,779 | 192,242 |
| Intergovernmental | 444,980 | - | - | - | 444,980 |
| Charges for services | 25,146 | - | - | 62,716 | 87,862 |
| License and permits | 282,760 | - | - | - | 282,760 |
| Fines and forfeitures | 126,463 | - | - | 6,934 | 133,397 |
| Investment income | 39,572 | - | - | - | 39,572 |
| Contributions and donations | - | - | - | 25,896 | 25,896 |
| Other revenue | 100,419 | - | 18,818 | 12,128 | 131,365 |
| Total Revenues | 3,884,822 | 1,938,346 | 285,245 | 163,453 | 6,271,866 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 1,318,183 | - | - | - | 1,318,183 |
| Public safety | 2,675,519 | - | - | 28,606 | 2,704,125 |
| Streets and parks | 542,860 | - | - | 42,614 | 585,474 |
| Tourism | - | - | - | 52,773 | 52,773 |
| Debt Service: | | | | | |
| Principal | - | 685,189 | - | - | 685,189 |
| Interest and fiscal charges | - | 163,224 | - | - | 163,224 |
| Bond issuance costs | - | - | - | 28,702 | 28,702 |
| Capital outlay | 311,896 | - | 528,320 | - | 840,216 |
| Total Expenditures | 4,848,458 | 848,413 | 528,320 | 152,695 | 6,377,886 |
| Excess (Deficiency) of Revenues | | | | | |
| Over (Under) Expenditures | (963,636) | 1,089,933 | (243,075) | 10,758 | (106,020) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 270,688 | - | 209,947 | - | 480,635 |
| Transfers (out) | (209,947) | (930,210) | - | (270,688) | (1,410,845) |
| Proceeds from bond issuance | - | - | - | 1,030,000 | 1,030,000 |
| Sale of general capital assets | 5,000 | - | - | - | 5,000 |
| Total Other Financing Sources (Uses) | 65,741 | (930,210) | 209,947 | 759,312 | 104,790 |
| Net Change in Fund Balances | (897,895) | 159,723 | (33,128) | 770,070 | (1,230) |
| Beginning fund balances | 1,761,218 | 638,403 | 412,086 | 216,732 | 3,028,439 |
| Ending Fund Balances (Deficits) | \$ 863,323 | \$ 798,126 | \$ 378,958 | \$ 986,802 | \$ 3,027,209 |

See Notes to Financial Statements.

City of Granite Shoals, Texas
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2022

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

| | | |
|---|----|---------|
| Net changes in fund balances - total governmental funds | \$ | (1,230) |
|---|----|---------|

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

| | | |
|----------------------|--|-----------|
| Capital outlay | | 1,144,885 |
| Depreciation expense | | (468,112) |

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

| | | |
|----------------|--|--------|
| Property taxes | | 12,409 |
|----------------|--|--------|

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

| | | |
|----------------------|--|----------|
| Compensated absences | | (42,737) |
| Accrued interest | | 3,196 |
| Pension expense | | 76,609 |
| OPEB expense | | (7,462) |

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

| | | |
|------------------------------|--|-------------|
| Bond issuance | | (1,030,000) |
| Principal payments | | 685,189 |
| Amortization of bond premium | | 5,333 |

| | | |
|--|-----------|----------------|
| Change in Net Position of Governmental Activities | \$ | 378,080 |
|--|-----------|----------------|

See Notes to Financial Statements.

City of Granite Shoals, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUNDS
September 30, 2022

| | <u>Water</u> | <u>Solid Waste</u> | <u>Nonmajor Proprietary Funds</u> | <u>Total</u> |
|---|-------------------|------------------------|---|-------------------|
| <u>Assets</u> | | | | |
| <u>Current Assets</u> | | | | |
| Cash and cash equivalents | \$ 7,220,165 | \$ 304,967 | \$ 2,140,829 | \$ 9,665,961 |
| Restricted cash - deposits | 425,005 | - | - | 425,005 |
| Restricted cash - grants | 630,244 | - | - | 630,244 |
| Receivables, net | 327,514 | 107,842 | - | 435,356 |
| Due from other funds | - | 146,832 | - | 146,832 |
| Total Current Assets | 8,602,928 | 559,641 | 2,140,829 | 11,303,398 |
| <u>Noncurrent Assets</u> | | | | |
| Capital assets: | | | | |
| Non-depreciable | 3,032,283 | - | 175,078 | 3,207,361 |
| Net depreciable capital assets | 8,068,057 | - | - | 8,068,057 |
| Net pension asset | 41,736 | - | - | 41,736 |
| Total Noncurrent Assets | 11,142,076 | - | 175,078 | 11,317,154 |
| Total Assets | 19,745,004 | 559,641 | 2,315,907 | 22,620,552 |
| <u>Deferred Outflows of Resources</u> | | | | |
| Pension contributions | 12,844 | - | - | 12,844 |
| Pension changes in assumption | 286 | - | - | 286 |
| OPEB contributions | 417 | - | - | 417 |
| OPEB changes in assumption | 2,831 | - | - | 2,831 |
| Total Deferred Outflows of Resources | 16,378 | - | - | 16,378 |

City of Granite Shoals, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUNDS
September 30, 2022

| | <u>Water</u> | <u>Solid Waste</u> | <u>Nonmajor Proprietary Funds</u> | <u>Total</u> |
|---|---------------------|------------------------|---|---------------------|
| <u>Liabilities</u> | | | | |
| <u>Current Liabilities</u> | | | | |
| Accounts payable and accrued liabilities | 275,463 | 42,170 | - | 317,633 |
| Customer deposits | 425,005 | - | - | 425,005 |
| Accrued interest payable | 64,213 | - | - | 64,213 |
| Long-term debt - current | 766,547 | - | - | 766,547 |
| Compensated absences - current | 26,392 | - | - | 26,392 |
| Due to other funds | - | 54,078 | 146,832 | 200,910 |
| Total Current Liabilities | <u>1,557,620</u> | <u>96,248</u> | <u>146,832</u> | <u>1,800,700</u> |
| <u>Noncurrent Liabilities</u> | | | | |
| Long-term debt - noncurrent | 11,658,664 | - | - | 11,658,664 |
| Compensated absences - noncurrent | 2,932 | - | - | 2,932 |
| OPEB liability | 14,508 | - | - | 14,508 |
| Total Liabilities | <u>13,233,724</u> | <u>96,248</u> | <u>146,832</u> | <u>13,476,804</u> |
| <u>Deferred Inflows of Resources</u> | | | | |
| Pension difference in experience | 7,458 | - | - | 7,458 |
| Pension investment returns | 23,549 | - | - | 23,549 |
| OPEB difference in experience | 2,504 | - | - | 2,504 |
| Total Deferred Inflows of | <u>33,511</u> | <u>-</u> | <u>-</u> | <u>33,511</u> |
| <u>Net Position</u> | | | | |
| Net investment in capital assets | 2,540,787 | - | 1,745,897 | 4,286,684 |
| Capital projects | 630,244 | - | - | 630,244 |
| Pensions | 23,859 | - | - | 23,859 |
| Unrestricted | 3,299,257 | 463,393 | 423,178 | 4,185,828 |
| Total Net Position | <u>\$ 6,494,147</u> | <u>\$ 463,393</u> | <u>\$ 2,169,075</u> | <u>\$ 9,126,615</u> |

See Notes to Financial Statements.

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City of Granite Shoals, Texas

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

For the Year Ended September 30, 2022

| | Water | Solid Waste | Nonmajor Proprietary Funds | Total |
|---|---------------------|-------------------|----------------------------------|---------------------|
| <u>Operating Revenues</u> | | | | |
| Charges for services | \$ 2,342,615 | \$ 627,062 | \$ 31,359 | \$ 3,001,036 |
| Other revenue | 88,166 | - | - | 88,166 |
| Total Operating Revenues | 2,430,781 | 627,062 | 31,359 | 3,089,202 |
| <u>Operating Expenses</u> | | | | |
| Salaries and wages | 401,883 | - | - | 401,883 |
| Employee benefits | 89,256 | - | - | 89,256 |
| Professional services | 183,462 | 449,216 | - | 632,678 |
| Other operating expenses | 314,466 | - | - | 314,466 |
| Supplies | 138,430 | - | - | 138,430 |
| Water purchase | 74,929 | - | - | 74,929 |
| Depreciation | 456,004 | - | - | 456,004 |
| Total Operating Expenses | 1,658,430 | 449,216 | - | 2,107,646 |
| Operating Income (Loss) | 772,351 | 177,846 | 31,359 | 981,556 |
| <u>Nonoperating Revenues (Expenses)</u> | | | | |
| Investment earnings | - | - | 7,651 | 7,651 |
| Grant revenue | 916,989 | - | - | 916,989 |
| Interest expense | (386,039) | - | - | (386,039) |
| Total Nonoperating Revenues (Expenses) | 530,950 | - | 7,651 | 538,601 |
| Income (Loss) Before Transfers | 1,303,301 | 177,846 | 39,010 | 1,520,157 |
| Transfers in | 930,210 | - | 1,710,000 | 2,640,210 |
| Transfers (out) | (1,710,000) | - | - | (1,710,000) |
| Change in Net Position | 523,511 | 177,846 | 1,749,010 | 2,450,367 |
| Beginning net position | 5,970,636 | 285,547 | 420,065 | 6,676,248 |
| Ending Net Position | \$ 6,494,147 | \$ 463,393 | \$ 2,169,075 | \$ 9,126,615 |

See Notes to Financial Statements.

City of Granite Shoals, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2022

| | Water | Solid Waste | Nonmajor Proprietary Funds | Total |
|---|---------------------|-------------------|----------------------------------|----------------------|
| <u>Cash Flows from Operating Activities</u> | | | | |
| Receipts from customers | \$ 2,441,848 | \$ 619,452 | \$ 31,359 | \$ 3,092,659 |
| Payments to suppliers | (983,694) | (560,427) | 146,832 | (1,397,289) |
| Payments to employees | (406,654) | - | - | (406,654) |
| Net Cash Provided by Operating Activities | 1,051,500 | 59,025 | 178,191 | 1,288,716 |
| <u>Cash Flows from Noncapital Financing Activities</u> | | | | |
| Transfer in | 930,210 | - | 1,710,000 | 2,640,210 |
| Transfer (out) | (1,710,000) | - | - | (1,710,000) |
| Net Cash Provided (Used) by Noncapital Financing Activities | (779,790) | - | 1,710,000 | 930,210 |
| <u>Cash Flows from Capital and Related Financing Activities</u> | | | | |
| Capital purchases | (2,462,741) | - | (175,078) | (2,637,819) |
| Capital grants | 916,989 | - | - | 916,989 |
| Proceeds from capital debt | 1,779,934 | - | - | 1,779,934 |
| Principal paid on debt | (694,746) | - | - | (694,746) |
| Interest paid on debt | (379,997) | - | - | (379,997) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (840,561) | - | (175,078) | (1,015,639) |
| Increase (Decrease) in Cash and Cash Equivalents | (568,851) | 59,025 | 1,720,764 | 1,210,938 |
| Beginning cash and cash equivalents | 8,844,265 | 245,942 | 420,065 | 9,510,272 |
| Ending Cash and Cash Equivalents | \$ 8,275,414 | \$ 304,967 | \$ 2,140,829 | \$ 10,721,210 |

See Notes to Financial Statements.

City of Granite Shoals, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2022

| | Water | Solid Waste | Nonmajor Proprietary Funds | Total |
|---|--------------|----------------|----------------------------------|--------------|
| <u>Reconciliation of Operating</u> | | | | |
| <u>Income (Loss) to Net Cash Provided by</u> | | | | |
| <u>Operating Activities</u> | | | | |
| Operating Income (Loss) | \$ 772,351 | \$ 177,846 | \$ 31,359 | \$ 981,556 |
| Adjustments to reconcile operating income (loss) to net cash provided: | | | | |
| Depreciation | 456,004 | - | - | 456,004 |
| Changes in Operating Assets and Liabilities: | | | | |
| (Increase) Decrease in: | | | | |
| Accounts receivable | (18,069) | (7,610) | - | (25,679) |
| Prepaid expenses | 1,463 | - | - | 1,463 |
| Due from other funds | - | (115,740) | 146,832 | 31,092 |
| Deferred Outflows of Resources: | | | | |
| Pension contributions | (1,069) | - | - | (1,069) |
| Pension changes in assumption | 223 | - | - | 223 |
| OPEB changes in assumption | 239 | - | - | 239 |
| OPEB contributions | (9) | - | - | (9) |
| Increase (Decrease) in: | | | | |
| Accounts payable and accrued liabilities | (184,614) | 4,529 | - | (180,085) |
| Customer deposits | 29,136 | - | - | 29,136 |
| Compensated absences | 8,401 | - | - | 8,401 |
| OPEB liability | (10) | - | - | (10) |
| Deferred Inflows of Resources: | | | | |
| Pension difference in experience | (3,855) | - | - | (3,855) |
| OPEB difference in experience | 1,201 | - | - | 1,201 |
| Pension investment returns | 14,962 | - | - | 14,962 |
| Net pension liability (asset) | (24,854) | - | - | (24,854) |
| Net Cash Provided by Operating | | | | |
| Activities | \$ 1,051,500 | \$ 59,025 | \$ 178,191 | \$ 1,288,716 |

See Notes to Financial Statements.

City of Granite Shoals, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

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

B. Reporting Entity

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

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

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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

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

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

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

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

The government reports the following major governmental funds:

General Fund

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

Debt Service Fund

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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Street Maintenance Sales Tax Fund

The street maintenance sales tax fund is used to account for the portion of sales taxes used for street maintenance within the City.

Proprietary Fund Types

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

Water Fund

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

Solid Waste Fund

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

Additionally, the government reports the following fund types:

Special Revenue Funds

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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Capital Projects Fund

The City's capital projects fund accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

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

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

E. Estimates

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

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

1. Deposits and Investments

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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

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

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

2. Fair Value Measurement

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

3. Receivables and Interfund Transactions

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

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

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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

4. Property Taxes

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

5. Inventories and Prepaid Items

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

6. Capital Assets

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

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

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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

| Asset Description | Estimated Useful Life |
|----------------------------|------------------------------|
| Vehicles | 5 years |
| Machinery and equipment | 5 to 7 years |
| Water system | 20 to 40 years |
| Buildings and improvements | 30 years |
| Infrastructure | 20 to 40 years |

7. Deferred Outflows/Inflows of Resources

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

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

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

8. Net Position Flow Assumption

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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

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

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

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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

11. Compensated Absences

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

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

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

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

12. Long-Term Obligations

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

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

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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

13. Pensions

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

14. Other Postemployment Benefits ("OPEB")

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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

A. Expenditures Over Appropriations

For the year ended September 30, 2022, expenditures exceeded appropriations at the legal level of control for the Street Maintenance Sales Tax fund by \$29,107.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2022, the primary government had the following investments:

| <u>Investment Type</u> | <u>Carrying Value</u> | <u>Weighted Average Maturity (Years)</u> |
|-------------------------------------|-----------------------|--|
| External investment pools | \$ 11,822,746 | 0.07 |
| Certificates of deposit | 106,058 | 1.18 |
| Total fair value | <u>\$ 11,928,804</u> | |
| Portfolio weighted average maturity | | 0.11 |

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

Credit risk The City’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and

City of Granite Shoals, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2022

credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAAM, or equivalent, by at least one nationally recognized rating service.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The City's investment policy requires funds on bank deposit at the depository bank to be collateralized by securities with a collective market value (market value of the principal and accrued interest) of at least 102%. As of September 30, 2022, the market values of pledged securities and FDIC exceeded bank balances.

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

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. At September 30, 2022, the fair value of the position in TexPool approximates fair value of the shares. There are no limitation or restrictions on withdraws.

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

B. Receivables

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

| | <u>General</u> | <u>Debt Service</u> | <u>Street Maintenance Sales Tax</u> | <u>Other Nonmajor Funds</u> | <u>Total Governmental Funds</u> |
|----------------|-------------------|---------------------|---|-------------------------------------|---|
| Property taxes | \$ 96,095 | \$ 75,038 | \$ - | \$ - | \$ 171,133 |
| Sales tax | 52,564 | - | 52,563 | - | 105,127 |
| Accounts | - | - | - | 1,825 | 1,825 |
| | <u>\$ 148,659</u> | <u>\$ 75,038</u> | <u>\$ 52,563</u> | <u>\$ 1,825</u> | <u>\$ 278,085</u> |

| | <u>Water</u> | <u>Solid Waste</u> | <u>Total Proprietary Funds</u> |
|-----------|-------------------|------------------------|--|
| Accounts | \$ 348,771 | \$ 113,028 | \$ 461,799 |
| Allowance | (21,257) | (5,186) | (26,443) |
| | <u>\$ 327,514</u> | <u>\$ 107,842</u> | <u>\$ 435,356</u> |

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

C. Capital Assets

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

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases/ Reclassifications</u> | <u>Ending Balances</u> |
|--|-------------------------------|-------------------|---|----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,725,805 | \$ - | \$ - | \$ 1,725,805 |
| Construction in progress | 17,454 | 519,320 | - | 536,774 |
| Mineral rights | 394,750 | - | - | 394,750 |
| Total capital assets not being depreciated | <u>2,138,009</u> | <u>519,320</u> | <u>-</u> | <u>2,657,329</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 4,480,029 | - | - | 4,480,029 |
| Improvements & infrastructure | 3,573,371 | 6,599 | - | 3,579,970 |
| Machinery & equipment | 2,698,257 | 618,966 | (59,455) | 3,257,768 |
| Total capital assets being depreciated | <u>10,751,657</u> | <u>625,565</u> | <u>(59,455)</u> | <u>11,317,767</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | 1,416,885 | 105,937 | - | 1,522,822 |
| Improvements & infrastructure | 772,908 | 174,920 | - | 947,828 |
| Machinery & equipment | 2,104,662 | 187,255 | (59,455) | 2,232,462 |
| Total accumulated depreciation | <u>4,294,455</u> | <u>468,112</u> | <u>(59,455)</u> | <u>4,703,112</u> |
| Net capital assets being depreciated | <u>6,457,202</u> | <u>157,453</u> | <u>-</u> | <u>6,614,655</u> |
| Total Net Capital Assets | <u>\$ 8,595,211</u> | <u>\$ 676,773</u> | <u>\$ -</u> | <u>\$ 9,271,984</u> |

Depreciation was charged to governmental functions as follows:

| | |
|---|-------------------|
| General government | \$ 98,645 |
| Public safety | 78,333 |
| Streets and parks | 282,855 |
| Animal control | 8,279 |
| Total Governmental Activities Depreciation Expense | <u>\$ 468,112</u> |

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases/ Reclassifications</u> | <u>Ending Balances</u> |
|--|-------------------------------|---------------------|---|----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 19,802 | \$ - | \$ - | \$ 19,802 |
| Construction in progress | 1,141,111 | 2,180,449 | (134,001) | 3,187,559 |
| Total capital assets not being depreciated | <u>1,160,913</u> | <u>2,180,449</u> | <u>(134,001)</u> | <u>3,207,361</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 19,589 | - | - | 19,589 |
| Improvements and infrastructure | 11,908,422 | - | 134,001 | 12,042,423 |
| Machinery and equipment | 1,065,551 | 457,369 | - | 1,522,920 |
| Total capital assets being depreciated | <u>12,993,562</u> | <u>457,369</u> | <u>134,001</u> | <u>13,584,932</u> |
| Less accumulated depreciation | | | | |
| Buildings | 13,950 | 2,595 | - | 16,545 |
| Improvements and infrastructure | 4,639,501 | 354,748 | - | 4,994,249 |
| Machinery and equipment | 407,420 | 98,661 | - | 506,081 |
| Total accumulated depreciation | <u>5,060,871</u> | <u>456,004</u> | <u>-</u> | <u>5,516,875</u> |
| Net capital assets being depreciated | <u>7,932,691</u> | <u>1,365</u> | <u>134,001</u> | <u>8,068,057</u> |
| Total Net Capital Assets | <u>\$ 9,093,604</u> | <u>\$ 2,181,814</u> | <u>\$ -</u> | <u>\$ 11,275,418</u> |

Depreciation was charged to business-type functions as follows:

| | |
|--|-------------------|
| Water fund | \$ 456,004 |
| Total Business-type Activities Depreciation Expense | <u>\$ 456,004</u> |

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

D. Long-term Debt

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due within One Year</u> |
|--|------------------------------|---------------------|---------------------|---------------------------|--|
| Governmental Activities: | | | | | |
| Bonds, notes and other payables: | | | | | |
| Certificates of Obligation | \$ 2,150,000 | \$ - | \$ (320,000) | \$ 1,830,000 | \$ 335,000 |
| General Obligation Refunding Bonds | 2,159,717 | - | (120,189) | 2,039,528 | 125,094 |
| Premium | 101,323 | - | (5,333) | 95,990 | - |
| Total Bonds Payable | <u>4,411,040</u> | <u>-</u> | <u>(445,522)</u> | <u>3,965,518</u> | <u>460,094</u> |
| Other liabilities: | | | | | |
| Notes payable | 190,000 | 1,030,000 | (245,000) | 975,000 | 250,000 |
| Total Governmental Activities | <u>\$ 4,601,040</u> | <u>\$ 1,030,000</u> | <u>\$ (690,522)</u> | <u>\$ 4,940,518</u> | <u>\$ 710,094</u> |
| Long-term liabilities due in more than one year | | | | <u>\$ 4,230,424</u> | |
| Business-Type Activities: | | | | | |
| General Obligation Refunding Bonds | \$ 10,766,283 | \$ - | \$ (629,811) | \$ 10,136,472 | \$ 652,906 |
| Certificates of Obligation | - | 1,650,000 | - | 1,650,000 | 45,000 |
| Premium | 311,764 | 129,934 | (16,409) | 425,289 | - |
| Total Bonds Payable | <u>11,078,047</u> | <u>1,779,934</u> | <u>(646,220)</u> | <u>12,211,761</u> | <u>697,906</u> |
| Other liabilities: | | | | | |
| Notes payable | 278,385 | - | (64,935) | 213,450 | 68,641 |
| Total Business-Type Activities | <u>\$ 11,356,432</u> | <u>\$ 1,779,934</u> | <u>\$ (711,155)</u> | <u>\$ 12,425,211</u> | <u>\$ 766,547</u> |
| Long-term liabilities due in more than one year | | | | <u>\$ 11,658,664</u> | |

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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

| | Governmental Activities | Business - Type Activities | Total |
|--|------------------------------------|---|----------------------|
| General Obligation Refunding Bonds: | | | |
| \$5,725,000 General Obligation Refunding Bonds, Series 2014, due in installments through 2034, interest at 3.25% | \$ - | \$ 3,861,000 | \$ 3,861,000 |
| \$3,000,000 General Obligation Refunding Bonds, Series 2018, due in annual installments through 2027, interest at 2.80% | 2,039,528 | 6,275,472 | 8,315,000 |
| Total General Obligation Refunding Bonds | \$ 2,039,528 | \$ 10,136,472 | \$ 12,176,000 |
| Certificates of Obligation: | | | |
| \$5,000,000 Certificates of Obligation, Series 2008, due in annual installments through 2027, interest at 4.49% | \$ 1,830,000 | \$ - | \$ 1,830,000 |
| \$1,650,000 Certificates of Obligation, Series 2022, due in annual installments through 2037, interest from 3% to 5% | - | 1,650,000 | 1,650,000 |
| Total Certificates of Obligation | \$ 1,830,000 | \$ 1,650,000 | \$ 3,480,000 |
| Notes Payable | | | |
| \$629,690 Note Payable, Spirit of Texas Bank, due in installments through 2025, interest at 2.81% | \$ - | \$ 213,450 | \$ 213,450 |
| \$1,030,000 Note Payable, BB&T Governmental Finance, due in installments through 2026, interest at 1.03% | 830,000 | - | 830,000 |
| \$280,000 Note Payable, BB&T Governmental Finance, due in installments through 2025, interest at 2.15% | 145,000 | - | 145,000 |
| Total Notes Payable | \$ 975,000 | \$ 213,450 | \$ 1,188,450 |
| Less Deferred Amounts: | | | |
| Premiums | \$ 95,990 | \$ 425,289 | \$ 521,279 |
| Total Debt | \$ 4,940,518 | \$ 12,425,211 | \$ 17,365,729 |

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

| Governmental Activities | | | | |
|--------------------------------|---------------------------------|-------------------|-----------------------------------|-------------------|
| Year ending | General Obligation Bonds | | Certificates of Obligation | |
| September 30, | Principal | Interest | Principal | Interest |
| 2023 | \$ 125,094 | \$ 49,294 | \$ 335,000 | \$ 82,167 |
| 2024 | 127,547 | 46,792 | 350,000 | 67,126 |
| 2025 | 128,774 | 44,241 | 365,000 | 51,411 |
| 2026 | 133,679 | 41,666 | 380,000 | 35,022 |
| 2027 | 134,906 | 38,992 | 400,000 | 17,960 |
| 2028 | 90,755 | 33,596 | - | - |
| 2029 | 93,208 | 29,966 | - | - |
| 2030 | 96,887 | 26,237 | - | - |
| 2031 | 100,566 | 23,331 | - | - |
| 2032 | 103,019 | 20,314 | - | - |
| 2033 | 105,472 | 18,253 | - | - |
| 2034 | 107,925 | 16,144 | - | - |
| 2035 | 109,151 | 13,986 | - | - |
| 2036 | 111,604 | 11,803 | - | - |
| 2037 | 114,057 | 9,570 | - | - |
| 2038 | 116,509 | 7,289 | - | - |
| 2039 | 118,962 | 4,959 | - | - |
| 2040 | 121,413 | 2,580 | - | - |
| Total | \$ 2,039,528 | \$ 439,013 | \$ 1,830,000 | \$ 253,686 |

| Governmental Activities | | |
|--------------------------------|----------------------|------------------|
| Year ending | Notes Payable | |
| September 30, | Principal | Interest |
| 2023 | \$ 250,000 | \$ 11,667 |
| 2024 | 255,000 | 8,588 |
| 2025 | 260,000 | 5,401 |
| 2026 | 210,000 | 2,163 |
| Total | \$ 975,000 | \$ 27,819 |

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

| Business-Type Activities | | | | |
|--------------------------------------|---------------------------------|---------------------|-----------------------------------|-------------------|
| Year ending September 30, | General Obligation Bonds | | Certificates of Obligation | |
| | Principal | Interest | Principal | Interest |
| 2023 | \$ 652,906 | \$ 277,157 | \$ 45,000 | \$ 77,221 |
| 2024 | 669,453 | 260,749 | 50,000 | 71,550 |
| 2025 | 682,226 | 243,897 | 50,000 | 69,550 |
| 2026 | 706,321 | 226,677 | 50,000 | 67,550 |
| 2027 | 720,094 | 208,864 | 110,000 | 66,050 |
| 2028 | 594,245 | 182,347 | 110,000 | 62,750 |
| 2029 | 611,792 | 160,940 | 115,000 | 59,450 |
| 2030 | 634,113 | 138,906 | 115,000 | 56,000 |
| 2031 | 655,434 | 119,042 | 125,000 | 50,250 |
| 2032 | 674,981 | 98,514 | 130,000 | 44,000 |
| 2033 | 693,528 | 80,540 | 135,000 | 37,500 |
| 2034 | 713,075 | 62,057 | 145,000 | 30,750 |
| 2035 | 335,849 | 43,032 | 150,000 | 23,500 |
| 2036 | 343,396 | 36,315 | 155,000 | 16,000 |
| 2037 | 350,943 | 29,448 | 165,000 | 8,250 |
| 2038 | 358,491 | 22,429 | - | - |
| 2039 | 366,038 | 15,259 | - | - |
| 2040 | 373,587 | 7,938 | - | - |
| Total | \$ 10,136,472 | \$ 2,214,111 | \$ 1,650,000 | \$ 740,371 |

| Business-Type Activities | | |
|--------------------------------------|----------------------|------------------|
| Year ending September 30, | Notes Payable | |
| | Principal | Interest |
| 2023 | \$ 68,641 | \$ 5,959 |
| 2024 | 70,572 | 4,028 |
| 2025 | 74,237 | 2,042 |
| Total | \$ 213,450 | \$ 12,029 |

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

E. Compensated Absences

The following summarizes the changes in the compensated absences balances of the primary government during the year. In general, the City uses the general and utility funds to liquidate governmental and business-type activities compensated absences, respectively.

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due within One Year</u> |
|--|------------------------------|-------------------|---------------------|---------------------------|--|
| Governmental Activities: | | | | | |
| Compensated absences | \$ 108,684 | \$ 476,703 | \$ (433,966) | \$ 151,421 | \$ 136,278 |
| Total Governmental Activities | <u>\$ 108,684</u> | <u>\$ 476,703</u> | <u>\$ (433,966)</u> | <u>\$ 151,421</u> | <u>\$ 136,278</u> |
| Other long-term liabilities due in more than one year | | | | <u>\$ 15,143</u> | |
| Business-Type Activities: | | | | | |
| Compensated absences | \$ 20,923 | \$ 55,652 | \$ (47,251) | \$ 29,324 | \$ 26,392 |
| Total Business-Type Activities | <u>\$ 20,923</u> | <u>\$ 55,652</u> | <u>\$ (47,251)</u> | <u>\$ 29,324</u> | <u>\$ 26,392</u> |
| Other long-term liabilities due in more than one year | | | | <u>\$ 2,932</u> | |

F. Customer Deposits

The City had customer deposits of \$425,005 in the water fund as of year end. The City requires a refundable deposit for all new utility customers. This amount will be returned to the customer when utility service is discontinued and all outstanding utility expenses are paid. The City also had customer deposits of \$26,025 in the general fund as of year end. These deposits were related to building permit fees and park services.

G. Interfund Transactions

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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Transfers between the primary government funds during the 2022 year were as follows:

| Transfers In: | Transfers Out: | | | | Total |
|------------------------------|-----------------------|-------------------------|-------------------|---------------------------------|---------------------|
| | General | Debt Service | Water | Nonmajor Proprietary | |
| General | \$ - | \$ - | \$ 270,688 | \$ - | \$ 270,688 |
| Water | - | 930,210 | - | 1,710,000 | 2,640,210 |
| Street maintenance sales tax | 209,947 | - | - | - | 209,947 |
| Total | \$ 209,947 | \$ 930,210 | \$ 270,688 | \$ 1,710,000 | \$ 3,120,845 |

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

The compositions of interfund balances as of the year ended September 30, 2022 were as follows:

| Due from: | Due to: |
|------------------|------------------------|
| | Solid Waste |
| General | \$ 54,078 |
| Debt Service | 144,689 |
| Total | \$ 198,767 |

H. Fund Equity

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

The following is a list of restricted fund balances:

| | Restricted |
|-------------------|---------------------|
| Streets and parks | \$ 488,615 |
| Tourism | 124,195 |
| Capital projects | 730,610 |
| Municipal court | 22,340 * |
| Debt service | 798,126 |
| Total | \$ 2,163,886 |

*Restricted by enabling legislation

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

V. OTHER INFORMATION

A. Risk Management

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

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

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

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

B. Contingent Liabilities

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

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

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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

C. Arbitrage

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

D. Defined Benefit Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City of Granite Shoals, Texas participates as one of 920 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 annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

2. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity.

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

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

| | <u>Plan Year 2021</u> | <u>Plan Year 2020</u> |
|--|-----------------------|-----------------------|
| Employee deposit rate | 5% | 5% |
| Matching ratio (city to employee) | 2 to 1 | 2 to 1 |
| Years required for vesting | 5 | 5 |
| Service retirement eligibility (expressed as age / years of service) | 60/5, 0/20 | 60/5, 0/20 |
| Updated service credit | 0% | 0% |
| Annuity increase (to retirees) | 0% of CPI | 0% of CPI |

Employees covered by benefit terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|------------------|
| Inactive employees or beneficiaries currently receiving benefits | 13 |
| Inactive employees entitled to but not yet receiving benefits | 26 |
| Active employees | <u>40</u> |
| Total | <u>79</u> |

3. Contributions

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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Employees for the City of Granite Shoals, Texas were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Granite Shoals, Texas were 4.33% and 4.31% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$108,990, and were equal to the required contributions.

4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|---|
| Inflation | 2.5% per year |
| Overall payroll growth | 2.75% per year |
| Investment Rate of Return | 6.75% net of pension plan investment expense, including inflation |

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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. Plan assets are managed on a total return basis with an emphasis on both capital

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|-----------------------|--------------------------|--|
| Global Equity | 30.0% | 5.30% |
| Core Fixed Income | 10.0% | 1.25% |
| Non-Core Fixed Income | 20.0% | 4.14% |
| Real Return | 10.0% | 3.85% |
| Real Estate | 10.0% | 4.00% |
| Absolute Return | 10.0% | 3.48% |
| Private Equity | 10.0% | 7.75% |
| Total | 100.0% | |

Discount Rate

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

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

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

| 1% Decrease 5.75% | Current Single Rate Assumption 6.75% | 1% Increase 7.75% |
|----------------------|---|----------------------|
| \$ 87,114 | \$ (260,849) | \$ 548,383 |

Changes in the Net Pension Liability (Asset)

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) – (b) |
|---|--------------------------------|------------------------------------|---|
| Balance at 12/31/20 | \$ 2,112,550 | \$ 2,218,064 | \$ (105,514) |
| Changes for the year: | | | |
| Service cost | 221,634 | - | 221,634 |
| Interest | 147,847 | - | 147,847 |
| Difference between expected and actual experience | (15,943) | - | (15,943) |
| Changes of assumptions | - | - | - |
| Contributions – employer | - | 102,283 | (102,283) |
| Contributions – employee | - | 118,142 | (118,142) |
| Net investment income | - | 289,776 | (289,776) |
| Benefit payments, including refunds of emp. contributions | (66,068) | (66,068) | - |
| Administrative expense | - | (1,338) | 1,338 |
| Other changes | - | 10 | (10) |
| Net changes | 287,470 | 442,805 | (155,335) |
| Balance at 12/31/21 | \$ 2,400,020 | \$ 2,660,869 | \$ (260,849) |

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 Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

For the year ended September 30, 2022, the City recognized pension expense of \$17,759. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|--|---|--|
| Contributions subsequent to the measurement date | \$ 80,272 | \$ - |
| Difference in experience | - | 46,611 |
| Changes in actuarial assumptions | 1,785 | - |
| Pension investment returns | - | 147,179 |
| Total | \$ 82,057 | \$ 193,790 |

The City reported \$80,272 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Plan Year | |
|------------------|---------------------|
| 2022 | \$ (63,095) |
| 2023 | (64,772) |
| 2024 | (33,149) |
| 2025 | (30,989) |
| 2026 | - |
| Total | \$ (192,005) |

Other Postemployment Benefits

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

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.

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

Employees covered by benefit terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|----|
| Inactive employees or beneficiaries currently receiving benefits | 8 |
| Inactive employees entitled to but not yet receiving benefits | 4 |
| Active employees | 40 |
| Total | 52 |

The City's contributions to the TMRS SDBF for the years ended 2022, 2021 and 2020 were \$3,602, \$2,878, and \$1,063, respectively, which equaled the required contributions each year.

Three-Year Contribution Information

| Plan/ Calendar Year | Annual Required Contribution (Rate) | Actual Contribution Made (Rate) | Percentage of ARC Contributed |
|------------------------|--|--|-------------------------------------|
| 2020 | 0.05% | 0.05% | 100.0% |
| 2021 | 0.15% | 0.15% | 100.0% |
| 2022 | 0.14% | 0.14% | 100.0% |

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2021, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

| | |
|--|---|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.5% to 11.5%, including inflation per year |
| Discount rate | 1.84% |
| Retirees' share of benefit-related costs | \$0 |
| Administrative expenses | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68 |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 1.84%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 1.84%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

| 1% Decrease 0.84% | Current Single Rate Assumption 1.84% | 1% Increase 2.84% |
|----------------------|---|----------------------|
| \$ 111,064 | \$ 90,678 | \$ 74,703 |

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Changes in the Total OPEB Liability:

| | Total OPEB Liability |
|--|---------------------------------|
| Balance at 12/31/20 | \$ 90,738 |
| Changes for the year: | |
| Service Cost | 9,688 |
| Interest | 1,876 |
| Difference between expected and actual experience | (10,844) |
| Changes of assumptions | 2,764 |
| Benefit payments | (3,544) |
| Net changes | (60) |
| Balance at 12/31/21 | \$ 90,678 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2022, the City recognized OPEB expense of \$12,486.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|---|---|--|
| Contributions subsequent to the measurement date | \$ 2,607 | \$ - |
| Difference in experience | - | 15,649 |
| Changes in actuarial assumptions | 17,691 | - |
| Total | \$ 20,298 | \$ 15,649 |

The City reported \$2,607 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2022.

City of Granite Shoals, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended December 31: | |
|--------------------------------|-----------------|
| 2022 | \$ 922 |
| 2023 | 922 |
| 2024 | 422 |
| 2025 | 1,056 |
| 2026 | (268) |
| Thereafter | (1,012) |
| | <u>\$ 2,042</u> |

E. Restatement

Due to corrections to accrued liabilities in the prior year, the City restated its beginning net position/fund balance within governmental activities and the general fund. The restatement of beginning fund balance/net position is as follows:

| | Governmental Activities | General Fund |
|--|------------------------------------|-------------------------|
| Prior year ending net position/fund balance, as reported | \$ 7,025,036 | 1,754,865 |
| Correction to accrued liabilities | 6,353 | 6,353 |
| Restated beginning net position/fund balance | <u>\$ 7,031,389</u> | <u>\$ 1,761,218</u> |

F. Subsequent Events

The City entered into a lease agreement to lease out the use of the City's tower, effective October 1, 2022 for a 5 year term with annual payments of \$26,805 the first year, and increasing by 10% each consecutive year of the agreement. There were no other material subsequent events through June 12, 2023, the date the financial statements were issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Granite Shoals, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2022

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|----------------------------|-------------------------|-------------------|---|
| <u>Revenues</u> | | | | |
| Property tax | \$ 2,569,021 | \$ 2,569,021 | \$ 2,462,592 | \$ (106,429) |
| Sales tax | 215,000 | 215,000 | 266,427 | 51,427 |
| Franchise and local taxes | 150,150 | 150,150 | 136,463 | (13,687) |
| Intergovernmental | 349,800 | 349,800 | 444,980 | 95,180 |
| Charges for services | 65,000 | 65,000 | 25,146 | (39,854) |
| License and permits | 223,400 | 223,400 | 282,760 | 59,360 |
| Fines and forfeitures | 83,795 | 83,795 | 126,463 | 42,668 |
| Investment income | 20,000 | 20,000 | 39,572 | 19,572 |
| Other revenue | 51,000 | 51,000 | 100,419 | 49,419 |
| Total Revenues | <u>3,727,166</u> | <u>3,727,166</u> | <u>3,884,822</u> | <u>157,656</u> |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| Municipal court | 99,241 | 99,241 | 108,165 | (8,924) |
| Finance and administration | 1,123,226 | 1,123,226 | 1,210,018 | (86,792) |
| Police | 1,558,905 | 1,885,504 | 1,848,130 | 37,374 |
| Fire protection | 900,960 | 900,960 | 827,389 | 73,571 |
| Streets and parks | 774,067 | 888,067 | 542,860 | 345,207 |
| Capital outlay | - | 508,901 | 311,896 | 197,005 |
| Total Expenditures | <u>4,456,399</u> | <u>5,405,899</u> | <u>4,848,458</u> | <u>557,441</u> |
| Revenues Over (Under) | <u>(729,233)</u> | <u>(1,678,733)</u> | <u>(963,636)</u> | <u>715,097</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers in | 843,040 | 843,040 | 270,688 | (572,352) |
| Transfers (out) | (89,266) | (89,266) | (209,947) | (120,681) |
| Sale of general capital assets | - | - | 5,000 | 5,000 |
| Total Other Financing Sources (Uses) | <u>753,774</u> | <u>753,774</u> | <u>65,741</u> | <u>(688,033)</u> |
| Net Change in Fund Balance | <u>\$ 24,541</u> | <u>\$ (924,959)</u> | <u>(897,895)</u> | <u>\$ 27,064</u> |
| Beginning fund balance | | | 1,761,218 | |
| Ending Fund Balance | | | <u>\$ 863,323</u> | |

Notes to Required Supplementary Information

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

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City of Granite Shoals, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STREET MAINTENANCE SALES TAX
For the Year Ended September 30, 2022

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--|----------------------------|---------------------|-------------------|---|
| <u>Revenues</u> | | | | |
| Sales tax | \$ 215,000 | \$ 215,000 | \$ 266,427 | \$ 51,427 |
| Other revenue | - | - | 18,818 | 18,818 |
| Total Revenues | <u>215,000</u> | <u>215,000</u> | <u>285,245</u> | <u>70,245</u> |
| <u>Expenditures</u> | | | | |
| Capital outlay | 289,266 | 499,213 | 528,320 | (29,107) * |
| Total Expenditures | <u>289,266</u> | <u>499,213</u> | <u>528,320</u> | <u>(29,107)</u> |
| Revenues Over (Under) Expenditures | <u>(74,266)</u> | <u>(284,213)</u> | <u>(243,075)</u> | <u>41,138</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers in | 89,266 | 89,266 | 209,947 | 120,681 |
| Total Other Financing Sources (Uses) | <u>89,266</u> | <u>89,266</u> | <u>209,947</u> | <u>120,681</u> |
| Net Change in Fund Balance | <u>\$ 15,000</u> | <u>\$ (194,947)</u> | <u>(33,128)</u> | <u>\$ 161,819</u> |
| Beginning fund balance | | | 412,086 | |
| Ending Fund Balance | | | <u>\$ 378,958</u> | |

Notes to Other Supplementary Information

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

*Expenditures exceeded appropriations at the legal level of control.

City of Granite Shoals, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSETS) AND RELATED RATIOS

Years Ended:

| | 12/31/2021 | 12/31/2020 | 12/31/2019 | 12/31/2018 |
|---|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | |
| Service cost | \$ 221,634 | \$ 219,408 | \$ 168,001 | \$ 162,310 |
| Interest | 147,847 | 127,572 | 117,822 | 111,795 |
| Changes in benefit terms | - | - | - | - |
| Differences between expected and actual experience | (15,943) | 12,588 | (83,588) | (81,355) |
| Changes of assumptions | - | - | 5,973 | - |
| Benefit payments, including refunds of participant contributions | (66,068) | (54,527) | (124,405) | (88,217) |
| Net change in total pension liability | 287,470 | 305,041 | 83,803 | 104,533 |
| Total pension liability - beginning | 2,112,550 | 1,807,509 | 1,723,706 | 1,619,173 |
| Total pension liability - ending (a) | 2,400,020 | 2,112,550 | 1,807,509 | 1,723,706 |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 102,283 | \$ 112,617 | \$ 87,178 | \$ 84,723 |
| Contributions - members | 118,142 | 117,310 | 87,047 | 84,360 |
| Net investment income | 289,776 | 144,413 | 248,208 | (47,088) |
| Benefit payments, including refunds of participant contributions | (66,068) | (54,527) | (124,405) | (88,217) |
| Administrative expenses | (1,338) | (933) | (1,400) | (909) |
| Other | 10 | (36) | (42) | (47) |
| Net change in plan fiduciary net position | 442,805 | 318,844 | 296,586 | 32,822 |
| Plan fiduciary net position - beginning | 2,218,064 | 1,899,220 | 1,602,634 | 1,569,812 |
| Plan fiduciary net position - ending (b) | \$ 2,660,869 | \$ 2,218,064 | \$ 1,899,220 | \$ 1,602,634 |
| Fund's net pension liability (asset) - ending (a) - (b) | \$ (260,849) | \$ (105,514) | \$ (91,711) | \$ 121,072 |
| Plan fiduciary net position as a percentage of the total pension liability | 111% | 105% | 105% | 93% |
| Covered payroll | \$ 2,362,834 | \$ 2,329,168 | \$ 1,740,944 | \$ 1,687,210 |
| Fund's net pension liability as a percentage of covered payroll | -11.04% | -4.53% | -5.27% | 7.18% |

Notes to schedule:

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

| <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2015</u> | <u>12/31/2014</u> | ¹ |
|---------------------|---------------------|---------------------|-------------------|--------------|
| \$ 164,908 | \$ 158,085 | \$ 150,157 | \$ 128,541 | |
| 98,809 | 87,437 | 73,811 | 62,140 | |
| - | - | - | - | |
| (9,971) | (37,382) | 13,012 | 2,977 | |
| - | - | 42,993 | - | |
| <u>(31,902)</u> | <u>(54,256)</u> | <u>(31,792)</u> | <u>(43,675)</u> | |
| <u>221,844</u> | <u>153,884</u> | <u>248,181</u> | <u>149,983</u> | |
| <u>1,397,329</u> | <u>1,243,445</u> | <u>995,264</u> | <u>845,281</u> | |
| <u>1,619,173</u> | <u>1,397,329</u> | <u>1,243,445</u> | <u>995,264</u> | |
| \$ 86,053 | \$ 73,817 | \$ 69,291 | \$ 47,394 | |
| 85,711 | 82,941 | 81,519 | 75,836 | |
| 174,306 | 73,175 | 1,420 | 47,807 | |
| (31,902) | (54,256) | (31,792) | (43,675) | |
| (903) | (826) | (865) | (499) | |
| (45) | (43) | (43) | (41) | |
| <u>313,220</u> | <u>174,808</u> | <u>119,530</u> | <u>126,822</u> | |
| <u>1,256,592</u> | <u>1,081,784</u> | <u>962,254</u> | <u>835,432</u> | |
| <u>\$ 1,569,812</u> | <u>\$ 1,256,592</u> | <u>\$ 1,081,784</u> | <u>\$ 962,254</u> | |
| <u>\$ 49,361</u> | <u>\$ 140,737</u> | <u>\$ 161,661</u> | <u>\$ 33,010</u> | |
| 97% | 90% | 87% | 97% | |
| \$ 1,714,218 | \$ 1,658,811 | \$ 1,630,373 | \$ 1,516,714 | |
| 2.88% | 8.48% | 9.92% | 2% | |

City of Granite Shoals, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

| | 9/30/2022 | 9/30/2021 | 9/30/2020 | 9/30/2019 |
|--|--------------|--------------|--------------|--------------|
| Actuarially determined employer contributions | \$ 108,990 | \$ 105,100 | \$ 102,936 | \$ 86,255 |
| Contributions in relation to the actuarially determined contribution | \$ 108,990 | \$ 105,100 | \$ 102,936 | \$ 86,255 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| Annual covered payroll | \$ 2,525,689 | \$ 2,356,001 | \$ 2,125,749 | \$ 1,687,210 |
| Employer contributions as a percentage of covered payroll | 4.32% | 4.46% | 4.84% | 5.11% |

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

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | N/A |
| Asset Valuation Method | 10 Year smoothed market; 12% soft corridor |
| Inflation | 2.5% |
| Salary Increases | 3.50% to 11.5% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018. |

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
 Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

| <u>9/30/2018</u> | <u>9/30/2017</u> | <u>9/30/2016</u> | <u>9/30/2015</u> ¹ |
|------------------|------------------|------------------|-------------------------------|
| \$ 84,917 | \$ 83,121 | \$ 75,179 | \$ 63,558 |
| <u>\$ 84,917</u> | <u>\$ 83,121</u> | <u>\$ 75,179</u> | <u>\$ 63,558</u> |
| \$ - | \$ - | \$ - | \$ - |
| \$ 1,689,020 | \$ 1,700,764 | \$ 1,709,498 | \$ 1,608,453 |
| 5.03% | 4.89% | 4.40% | 3.95% |

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City of Granite Shoals, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN

Years Ended:

| | <u>12/31/2021</u> | <u>12/31/2020</u> | <u>12/31/2019</u> | <u>12/31/2018</u> | <u>12/31/2017</u> |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Total OPEB liability | | | | | |
| Service cost | \$ 9,688 | \$ 7,686 | \$ 5,049 | \$ 5,230 | \$ 4,628 |
| Interest | 1,876 | 2,065 | 2,200 | 2,065 | 1,951 |
| Changes in benefit terms | - | - | - | - | - |
| Differences between expected and actual experience | (10,844) | (1,335) | (5,588) | (5,268) | - |
| Changes of assumptions | 2,764 | 11,671 | 13,819 | (4,244) | 4,564 |
| Benefit payments, including refunds of participant contributions | (3,544) | (1,165) | (870) | (675) | (686) |
| Net change in total OPEB liability | <u>(60)</u> | <u>18,922</u> | <u>14,610</u> | <u>(2,892)</u> | <u>10,457</u> |
| Total OPEB liability - beginning | <u>\$ 90,738</u> | <u>\$ 71,816</u> | <u>\$ 57,206</u> | <u>\$ 60,098</u> | <u>\$ 49,641</u> |
| Total OPEB liability - ending | <u><u>\$ 90,678</u></u> | <u><u>\$ 90,738</u></u> | <u><u>\$ 71,816</u></u> | <u><u>\$ 57,206</u></u> | <u><u>\$ 60,098</u></u> |
| | | | | | |
| Covered payroll | \$ 2,362,834 | \$ 2,329,168 | \$ 1,740,944 | \$ 1,687,210 | \$ 1,714,218 |
| City's total OPEB liability as a | 3.84% | 3.90% | 4.13% | 3.39% | 3.51% |

Notes to schedule:

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

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

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

City of Granite Shoals, Texas

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2022

| | Capital Projects | Hotel Tax Fund | Restricted Park | Police Seizure |
|--|---------------------|-------------------|--------------------|-------------------|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 730,610 | \$ 124,717 | \$ 86,276 | \$ 12,353 |
| Receivables, net | - | - | - | - |
| Total Assets | \$ 730,610 | \$ 124,717 | \$ 86,276 | \$ 12,353 |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ - | \$ 522 | \$ 6,999 | \$ 2,101 |
| Total Liabilities | - | 522 | 6,999 | 2,101 |
| <u>Fund Balances</u> | | | | |
| Restricted for: | | | | |
| Streets and parks | - | - | 79,277 | - |
| Tourism | - | 124,195 | - | - |
| Capital projects | 730,610 | - | - | - |
| Municipal court | - | - | - | 10,252 |
| Total Fund Balances (Deficits) | 730,610 | 124,195 | 79,277 | 10,252 |
| Total Liabilities and Fund Balances | \$ 730,610 | \$ 124,717 | \$ 86,276 | \$ 12,353 |

| Law Enforcement Education | City Cleanup | Court Technology | Court Security | Total |
|--|-------------------------|-----------------------------|---------------------------|-------------------|
| \$ 6,638 | \$ 28,560 | \$ 2,674 | \$ 2,776 | \$ 994,604 |
| - | 1,825 | - | - | 1,825 |
| <u>\$ 6,638</u> | <u>\$ 30,385</u> | <u>\$ 2,674</u> | <u>\$ 2,776</u> | <u>\$ 996,429</u> |
| \$ - | \$ 5 | \$ - | \$ - | \$ 9,627 |
| - | 5 | - | - | 9,627 |
| - | 30,380 | - | - | 109,657 |
| - | - | - | - | 124,195 |
| - | - | - | - | 730,610 |
| 6,638 | - | 2,674 | 2,776 | 22,340 |
| <u>6,638</u> | <u>30,380</u> | <u>2,674</u> | <u>2,776</u> | <u>986,802</u> |
| <u>\$ 6,638</u> | <u>\$ 30,385</u> | <u>\$ 2,674</u> | <u>\$ 2,776</u> | <u>\$ 996,429</u> |

City of Granite Shoals, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended September 30, 2022

| | Capital Projects | Hotel Tax Fund | Restricted Park | Police Seizure |
|--|---------------------|----------------|--------------------|-------------------|
| <u>Revenues</u> | | | | |
| Hotel occupancy tax | \$ - | \$ 55,779 | \$ - | \$ - |
| Charges for services | - | - | 41,000 | - |
| Fines and forfeitures | - | - | 147 | 4,471 |
| Contributions and donations | - | 20,900 | 4,996 | - |
| Other revenue | - | 10,783 | - | - |
| Total Revenues | - | 87,462 | 46,143 | 4,471 |
| <u>Expenditures</u> | | | | |
| Streets and parks | - | - | - | - |
| Tourism | - | 52,773 | - | - |
| Public safety | - | - | 28,000 | 606 |
| Bond issuance cost | 28,702 | - | - | - |
| Total Expenditures | 28,702 | 52,773 | 28,000 | 606 |
| Revenues Over (Under) | | | | |
| Expenditures | (28,702) | 34,689 | 18,143 | 3,865 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Proceeds from Bond Issuance | 1,030,000 | - | - | - |
| Transfer (out) | (270,688) | - | - | - |
| Total Other Financing (Uses) | 759,312 | - | - | - |
| Net Change in Fund Balances | 730,610 | 34,689 | 18,143 | 3,865 |
| Beginning fund balances | - | 89,506 | 61,134 | 6,387 |
| Ending Fund Balances (Deficits) | \$ 730,610 | \$ 124,195 | \$ 79,277 | \$ 10,252 |

| Law Enforcement Education | City Cleanup | Court Technology | Court Security | Total |
|--|-------------------------|-----------------------------|---------------------------|-------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 55,779 |
| - | 21,716 | - | - | 62,716 |
| - | - | 2,284 | 32 | 6,934 |
| - | - | - | - | 25,896 |
| - | 1,345 | - | - | 12,128 |
| <u>-</u> | <u>23,061</u> | <u>2,284</u> | <u>32</u> | <u>163,453</u> |
| - | 42,614 | - | - | 42,614 |
| - | - | - | - | 52,773 |
| - | - | - | - | 28,606 |
| - | - | - | - | 28,702 |
| <u>-</u> | <u>42,614</u> | <u>-</u> | <u>-</u> | <u>152,695</u> |
| - | (19,553) | 2,284 | 32 | 10,758 |
| - | - | - | - | 1,030,000 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(270,688)</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>759,312</u> |
| - | (19,553) | 2,284 | 32 | 770,070 |
| 6,638 | 49,933 | 390 | 2,744 | 216,732 |
| <u>\$ 6,638</u> | <u>\$ 30,380</u> | <u>\$ 2,674</u> | <u>\$ 2,776</u> | <u>\$ 986,802</u> |

City of Granite Shoals, Texas
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
September 30, 2022

| | Utility Equipment Reserve | Meter Reader Project | Total |
|-----------------------------------|---------------------------------|----------------------------|---------------------|
| <u>Assets</u> | | | |
| Cash and cash equivalents | \$ 423,178 | \$ 1,717,651 | \$ 2,140,829 |
| Total Current Assets | \$ 423,178 | \$ 1,717,651 | \$ 2,140,829 |
| <u>Noncurrent Assets</u> | | | |
| Capital assets: | | | |
| Non-depreciable | - | 175,078 | 175,078 |
| Total Noncurrent Assets | - | 175,078 | 175,078 |
| Total Assets | 423,178 | 1,892,729 | 2,315,907 |
| <u>Liabilities</u> | | | |
| <u>Current Liabilities</u> | | | |
| Due to other funds | \$ - | \$ 146,832 | \$ 146,832 |
| Total Current Liabilities | - | 146,832 | 146,832 |
| Total Liabilities | - | 146,832 | 146,832 |
| <u>Net Position</u> | | | |
| Net investment in capital assets | - | 1,745,897 | 1,745,897 |
| Unrestricted | 423,178 | - | 423,178 |
| Total Net Position | \$ 423,178 | \$ 1,745,897 | \$ 2,169,075 |

City of Granite Shoals, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
For the Year Ended September 30, 2022

| | Utility Equipment Reserve | Meter Reader Project | Total |
|--|---------------------------------|----------------------------|---------------------|
| <u>Revenues</u> | | | |
| Charges for services | \$ 31,359 | \$ - | \$ 31,359 |
| Total Revenues | 31,359 | - | 31,359 |
| <u>Nonoperating Revenues (Expenses)</u> | | | |
| Investment earnings | - | 7,651 | 7,651 |
| Total Nonoperating Revenues (Expenses) | - | 7,651 | 7,651 |
| Income (Loss) Before Transfers | 31,359 | 7,651 | 39,010 |
| Transfers in | - | 1,710,000 | 1,710,000 |
| Change in Net Position | 31,359 | 1,717,651 | 1,749,010 |
| Beginning net position | 391,819 | 28,246 | 420,065 |
| Ending Net Position | \$ 423,178 | \$ 1,745,897 | \$ 2,169,075 |

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