

ANNUAL FINANCIAL REPORT  
CITY OF GRAND SALINE, TEXAS

*FISCAL YEAR ENDED  
SEPTEMBER 30, 2017*

*City Administrator  
Rex D. White*



CITY OF GRAND SALINE, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS

Page

I. INTRODUCTORY SECTION

|  |   |
|--|---|
| Elected Officials and Administrative Officers..... | 3 |
|--|---|

II. FINANCIAL SECTION

|                                   |   |
|-----------------------------------|---|
| Independent Auditor's Report..... | 7 |
|-----------------------------------|---|

|  |    |
|--|----|
| A. Management Discussion and Analysis..... | 11 |
|--|----|

B. Basic Financial Statements

**Government-wide Financial Statements**

|                                |    |
|--------------------------------|----|
| Statement of Net Position..... | 25 |
| Statement of Activities.....   | 26 |

**Fund Financial Statements:**

**Governmental Fund Financial Statements**

|  |    |
|--|----|
| Balance Sheet.....   | 28 |
| Reconciliation of the Governmental Funds Balance Sheet<br>to the Statement of Net Position.....  | 29 |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balances.....  | 30 |
| Reconciliation of the Statement of Revenues, Expenditures<br>and Changes in Fund Balances of Governmental Funds<br>to the Statement of Activities..... | 31 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance -<br>General Fund - Budget (Modified Accrual Basis) and Actual.....                   | 32 |

**Proprietary Fund Financial Statements**

|   |    |
|---|----|
| Statement of Fund Net Position.....                                       | 33 |
| Statement of Revenues, Expenses, and Changes in<br>Fund Net Position..... | 34 |
| Statement of Cash Flows.....  | 35 |

|  |    |
|--|----|
| <b>Notes to the Financial Statements</b> ..... | 36 |
|--|----|

C. Required Supplementary Information

|  |    |
|--|----|
| Schedule of TMRS Funding Progress and Contributions and Notes.....   | 63 |
| Schedule of Changes in Net Pension Liability and Related Ratios..... | 64 |

**CITY OF GRAND SALINE, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**TABLE OF CONTENTS**

Page

**D. Supplementary Information**

**Combining Statements - Nonmajor Governmental Funds**

|  |    |
|--|----|
| Balance Sheet.....   | 66 |
| Statement of Revenues, Expenditures and Changes in Fund Balance..... | 67 |

**Component Units**

**Economic Development Corporation**

|  |    |
|--|----|
| Balance Sheet.....   | 68 |
| Reconciliation of the EDC Balance Sheet to the<br>Statement of Net Position.....   | 69 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance.....  | 70 |
| Reconciliation of the Statement of Revenues, Expenditures and<br>Changes in Fund Balances of the EDC to the Statement of Activities..... | 71 |

**Budget and Actual Comparison:**

|  |    |
|--|----|
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balance-EDC..... | 72 |
|--|----|

# INTRODUCTORY SECTION



**CITY OF GRAND SALINE, TEXAS  
ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS  
SEPTEMBER 30, 2017**

**City Council**

Casey Jordan, Mayor  
Jaron Cude, Mayor Pro-Tem  
Mary Jane Hollowell, Council Member  
Nick Haley, Council Member  
Gary Milam, Council Member  
Bryan Marshall, Council Member

**Administrative Staff**

Joel Elliot, City Attorney  
Alesia Mayne, City Secretary  
Rex White, City Administrator



## FINANCIAL SECTION





Michael Conway, CPA  
Neil Conway, CPA

Toll Free (800) 594-7951  
Metro (903) 450-1200

## CONWAY COMPANY CPAs PC

### ACCOUNTANTS & ADVISORS

[www.conwaycpas.com](http://www.conwaycpas.com)

PO Box 8234  
Greenville, Texas 75404-8234

**Member**  
American Institute of CPAs  
Texas Society of CPAs

### Independent Auditor's Report

Mayor and City Council  
City of Grand Saline

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Saline, Texas ("City") as of and for the year ended September 30, 2017, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Saline, Texas as of September 30, 2017, and the respective changes in financial position, where applicable, and cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 11 - 21 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our reported dated July 5, 2018, on our consideration of the City of Grand Saline, Texas' internal control over financial reporting and on our tests of its

compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Grand Saline, Texas' internal control over financial reporting and compliance.

Respectfully Submitted,  
**CONWAY COMPANY CPAs, PC**

*Conway Company CPAs, P.C.*

Greenville, TX  
July 5, 2018



## **CITY OF GRAND SALINE, TEXAS**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

**SEPTEMBER 30, 2017**

As management of the City of Grand Saline ("City"), we offer readers of the City of Grand Saline's financial statements this narrative overview and analysis of the financial activities of the City of Grand Saline for the fiscal year ended September 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

#### **Financial Highlights**

- The assets of the City of Grand Saline exceeded its liabilities at the close of the fiscal year by \$6,673,232 (net position). Of this amount, the portion that may be used to meet the City's on-going obligations to citizens and creditors is \$2,509,680, or 38% of total net position. \$3,833,916, or 58%, represents the City's investment in capital assets, less any related outstanding debt used to acquire those assets. \$313,658, or 5%, is restricted for debt obligations, \$15,978 is restricted for municipal court use, and hotel funds.
- The government's total net position increased by \$729,600 excluding prior period adjustments, due to increases in both the governmental and business-type activities.
- As of the close of the current fiscal year, the City of Grand Saline's governmental funds reported combined ending fund balances of \$550,993, an increase of \$7,669, or (1%), in comparison with the prior year. Approximately 72% of this total amount, or \$395,594, is available for spending at the government's discretion (unassigned fund balance).
- At the close of the current fiscal year, unassigned fund balance of \$395,594 was 20% percent of total General Fund expenditures for the fiscal year.
- The City of Grand Saline's total long-term debt decreased by (\$261,575), or (10%), during the current fiscal year.

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

This discussion and analysis are intended to serve as an introduction to the City of Grand Saline'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) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Grand Saline.

**CITY OF GRAND SALINE, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2017**

**Basic Financial Statements**

The first two statements (pages 25-27) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 28-35) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary funds statements.

The next section of the basic financial statements are the **notes** (pages 36-59). The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** (pages 63-64) is provided to show details about the City's pension plan.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The statement of net position presents information on all of the City of Grand Saline's assets and liabilities, with the difference between the two 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.

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

Thus, revenues and expenses are reported in these statements 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 the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales tax and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the utility services offered by the City of Grand Saline. The final category is the component unit. The City has one component unit: Grand Saline Economic Development Corporation ("EDC"). The government-wide financial statements are on pages 25-27 of this report.

**Fund Financial Statements**

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Grand Saline, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Grand Saline can be divided into two categories: governmental funds and proprietary funds.

*Governmental Funds* – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what funds are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs.

**CITY OF GRAND SALINE, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2017**

The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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 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 of Grand Saline adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. Budgetary information required by the General Statutes can also be found in this part of the statements. The Governmental Fund financial statements can be found on pages 28-32 of this report.

*Proprietary Funds* – The City of Grand Saline has two types of proprietary funds which are the Water & Sewer Fund and the Solid Waste Fund. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary Funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 33-35 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 36-59 of this report.

**Required Supplementary Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Grand Saline's progress in funding its obligation to provide pension benefits to its employees. This information is found on page 63-64.

**Supplementary Information** – The combining statements referred to earlier in connection with the non-major governmental funds are presented following the required supplementary information on pensions. Combining statements and individual fund statements can be found on pages 66-72. Fund financial statements for the component unit can be found on pages 68-72.

**GASB Pronouncements** – The following statements for the Governmental Accounting Standards Board ("GASB") were effective for the City in the fiscal year ending September 30, 2017.

GASB Statement No. 72, "Fair Value Measurement and Application" addresses account and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value to certain investments and disclosure related to fair value measurements. The implementation of this Statement does not result in any changes to the City's financial statements.

**CITY OF GRAND SALINE, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2017**

GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". The implementation of this Statement does not result in any changes to the City's financial statements.

GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" is to address the hierarchy of Generally Accepted Accounting Principles (GAAP). This statement reduces the GAAP hierarchy to two categories of authoritative GAAP. This Statement supersedes Statement No. 55 and amends Statements No. 62. The implementation of this Statement does not result in any changes to the City's financial statements.

**CITY OF GRAND SALINE, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2017**

**Net Position**

|                                   | <b>Governmental<br/>Activities</b> |                     | <b>Business-Type<br/>Activities</b> |                     | <b>Total Primary<br/>Government</b> |                     |
|-----------------------------------|------------------------------------|---------------------|-------------------------------------|---------------------|-------------------------------------|---------------------|
|                                   | <b>2017</b>                        | <b>2016</b>         | <b>2017</b>                         | <b>2016</b>         | <b>2017</b>                         | <b>2016</b>         |
| Current and other assets          | \$ 629,379                         | \$ 606,227          | \$ 2,437,475                        | \$ 2,033,491        | \$ 3,066,854                        | \$ 2,639,718        |
| Capital assets                    | 2,580,612                          | 2,125,763           | 3,391,343                           | 3,725,847           | 5,971,956                           | 5,851,610           |
| Total assets                      | 3,209,991                          | 2,731,990           | 5,828,818                           | 5,759,338           | 9,038,809                           | 8,491,328           |
| Deferred outflows - pension       | 95,836                             | 126,958             | 65,132                              | 85,059              | 160,969                             | 212,017             |
| Long-term liabilities outstanding | 153,664                            | 195,446             | 2,162,479                           | 2,382,273           | 2,316,143                           | 2,577,719           |
| Other Liabilities                 | 39,470                             | 22,900              | 99,677                              | 88,703              | 139,147                             | 111,603             |
| Total liabilities                 | 193,135                            | 218,346             | 2,262,155                           | 2,470,976           | 2,455,290                           | 2,689,322           |
| Deferred inflows - pension        | 42,425                             | 42,609              | 28,831                              | 27,781              | 71,256                              | 70,390              |
| Net position:                     |                                    |                     |                                     |                     |                                     |                     |
| Net investment in capital assets  | 2,580,612                          | 1,989,477           | 1,253,304                           | 1,382,810           | 3,833,916                           | 3,372,287           |
| Restricted                        | 15,978                             | 23,640              | 313,658                             | 479,228             | 329,636                             | 502,868             |
| Unrestricted                      | 473,678                            | 584,875             | 2,036,002                           | 1,483,602           | 2,509,680                           | 2,068,477           |
| Total net position                | <u>\$ 3,070,268</u>                | <u>\$ 2,597,992</u> | <u>\$ 3,602,964</u>                 | <u>\$ 3,345,640</u> | <u>\$ 6,673,232</u>                 | <u>\$ 5,943,632</u> |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The net position of the City was \$6,673,232 as of September 30, 2017. The City's net position increased by \$729,600, excluding prior period adjustments, for the fiscal year ended September 30, 2017.

*Net investment in capital assets:*

The largest portion, \$3,833,916, or 57%, reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

*Restricted net position:*

Restricted net position of \$329,636 represents 5% of total net position that is subject to external restrictions on how they may be used, or by enabling legislation. The restricted net position is comprised of \$15,978, or 5%, for state imposed restrictions and \$313,658, or 95%, for debt service.

*Unrestricted net position:*

Unrestricted net position in the amount of \$2,509,680, or 38%, is available to fund the City programs to citizens and creditors.

**CITY OF GRAND SALINE, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2017**

**Changes in Net Position**

|  | <b>Governmental<br/>Activities</b> |                    | <b>Business<br/>Activities</b> |                    | <b>Total</b>        |                     |
|--|------------------------------------|--------------------|--------------------------------|--------------------|---------------------|---------------------|
|  | <b>2017</b>                        | <b>2016</b>        | <b>2017</b>                    | <b>2016</b>        | <b>2017</b>         | <b>2016</b>         |
| <b>REVENUE:</b>                                      |                                    |                    |                                |                    |                     |                     |
| Program revenues:                                    |                                    |                    |                                |                    |                     |                     |
| Charge for services                                  | \$ 527,512                         | \$ 466,434         | \$ 1,661,184                   | \$ 1,594,513       | \$ 2,188,697        | \$ 2,060,947        |
| Grants and contributions                             | 350,898                            | 57,445             | 4,144                          | 3,000              | 355,042             | 60,445              |
| General revenues:                                    |                                    |                    |                                |                    |                     |                     |
| Property taxes including P&I                         | 437,643                            | 527,957            | 276,454                        | 169,043            | 714,098             | 697,000             |
| Franchise taxes                                      | 117,080                            | 117,592            | -                              | -                  | 117,080             | 117,592             |
| Hotel/motel taxes                                    | 3,292                              | 2,943              | -                              | -                  | 3,292               | 2,943               |
| Sales tax collected                                  | 442,113                            | 461,176            | -                              | -                  | 442,113             | 461,176             |
| Investment income                                    | 2,112                              | 2,098              | 10,300                         | 6,883              | 12,413              | 8,981               |
| Miscellaneous revenue                                | 25,447                             | 35,518             | -                              | -                  | 25,447              | 35,518              |
| Total Revenues                                       | <u>1,906,097</u>                   | <u>1,671,163</u>   | <u>1,952,083</u>               | <u>1,773,439</u>   | <u>3,858,180</u>    | <u>3,444,602</u>    |
| <b>EXPENSES:</b>                                     |                                    |                    |                                |                    |                     |                     |
| Program expenses:                                    |                                    |                    |                                |                    |                     |                     |
| General government                                   | 438,933                            | 444,057            | -                              | -                  | 438,933             | 444,057             |
| Public safety  | 750,924                            | 685,301            | -                              | -                  | 750,924             | 685,301             |
| Public works   | 278,293                            | 546,701            | -                              | -                  | 278,293             | 546,701             |
| Public services & operations                         | 196,959                            | 133,802            | -                              | -                  | 196,959             | 133,802             |
| Parks and recreation                                 | 71,921                             | 51,620             | -                              | -                  | 71,921              | 51,620              |
| Interest and fiscal agent fees                       | 4,587                              | 2,796              | -                              | -                  | 4,587               | 2,796               |
| Water and sewer                                      | -                                  | -                  | 1,386,963                      | 1,581,000          | 1,386,963           | 1,581,000           |
| Total expenses                                       | <u>1,741,617</u>                   | <u>1,864,277</u>   | <u>1,386,963</u>               | <u>1,581,000</u>   | <u>3,128,581</u>    | <u>3,445,277</u>    |
| Increase (decrease) in net position before transfers | 164,480                            | (193,114)          | 565,120                        | 192,439            | 729,600             | (675)               |
| Transfers  | <u>307,796</u>                     | <u>182,108</u>     | <u>(307,796)</u>               | <u>(182,108)</u>   | <u>-</u>            | <u>-</u>            |
| Increase in net position                             | 472,276                            | (11,006)           | 257,324                        | 10,331             | 729,600             | (675)               |
| Net position, October 1                              | 2,597,992                          | 2,608,998          | 3,345,640                      | 3,335,309          | 5,943,632           | 5,944,307           |
| Prior period adjustments                             | -                                  | -                  | -                              | -                  | -                   | -                   |
| Net position, September 30                           | <u>\$3,070,268</u>                 | <u>\$2,597,992</u> | <u>\$3,602,964</u>             | <u>\$3,345,640</u> | <u>\$ 6,673,232</u> | <u>\$ 5,943,632</u> |

The governmental-type activities increased the City's net position by \$472,276, excluding prior period adjustments, which is a significant increase over the prior year. This was due largely to an increase of \$293,453 in grants and a slight increase in property taxes of \$17,098.

The business-type activities increased the City's net position by \$257,324, excluding prior period adjustments, which is a substantial increase over the prior year. This was due to an decrease in total expenses of (\$194,037) from prior year.

**CITY OF GRAND SALINE, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2017**

**Governmental-type activities** - Governmental-type activities increased the City's net position by \$472,276, excluding prior period adjustment. Key elements of this increase are as follows:

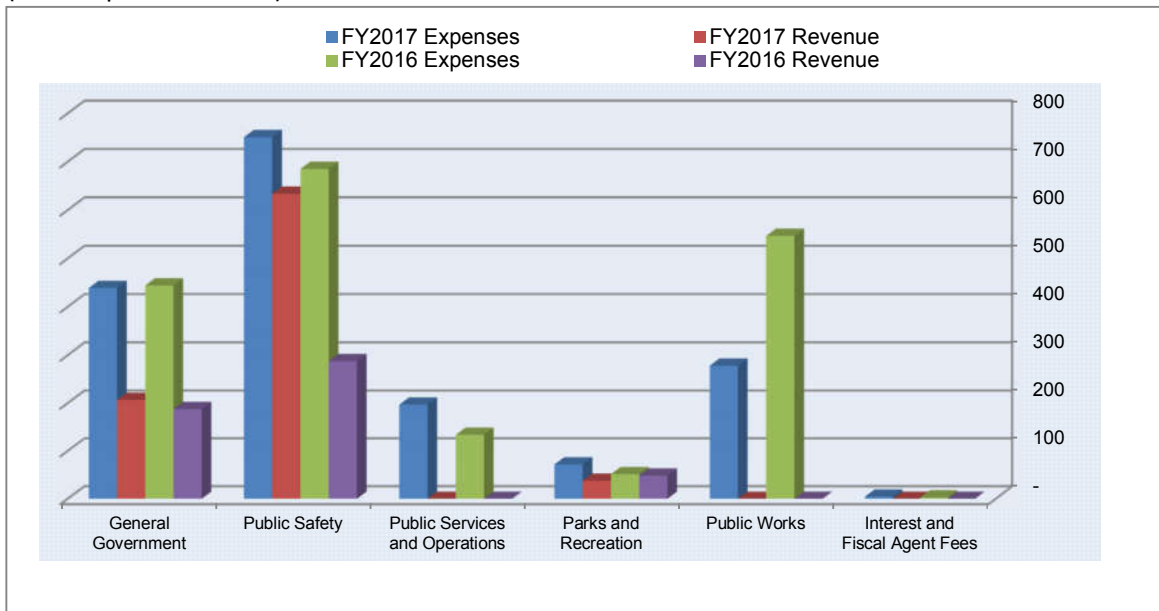
Public works expense decreased \$268,408.

Public Safety expense increased \$65,623.

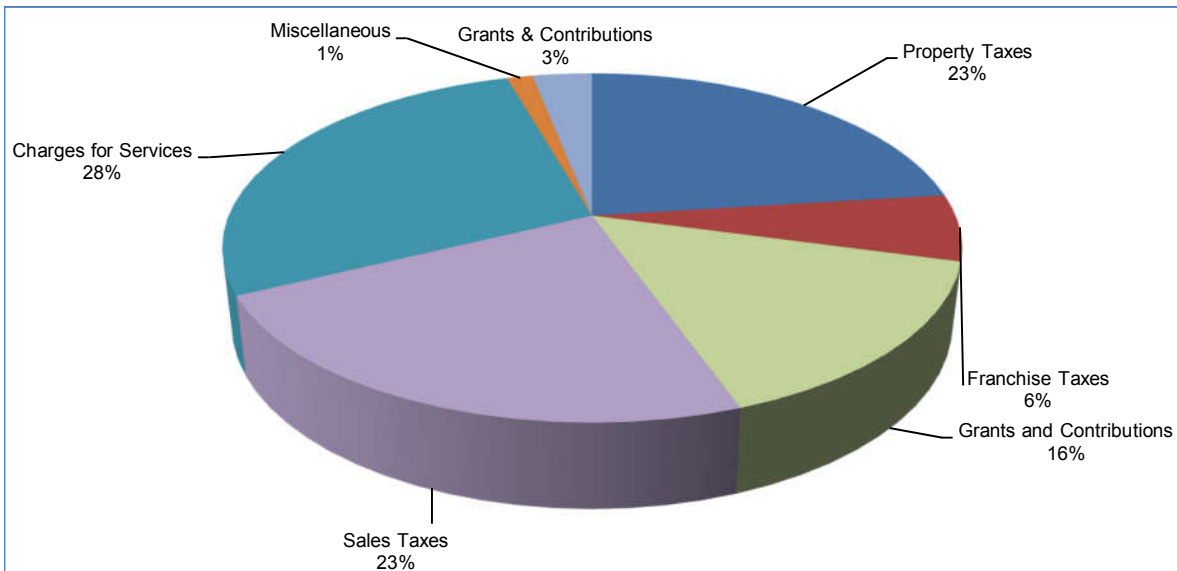
Public Services expense increased \$63,157.

**Expenses and Program Revenues - Governmental Activities**

(amounts expressed in thousands)



**Revenues by Source - Governmental Activities**



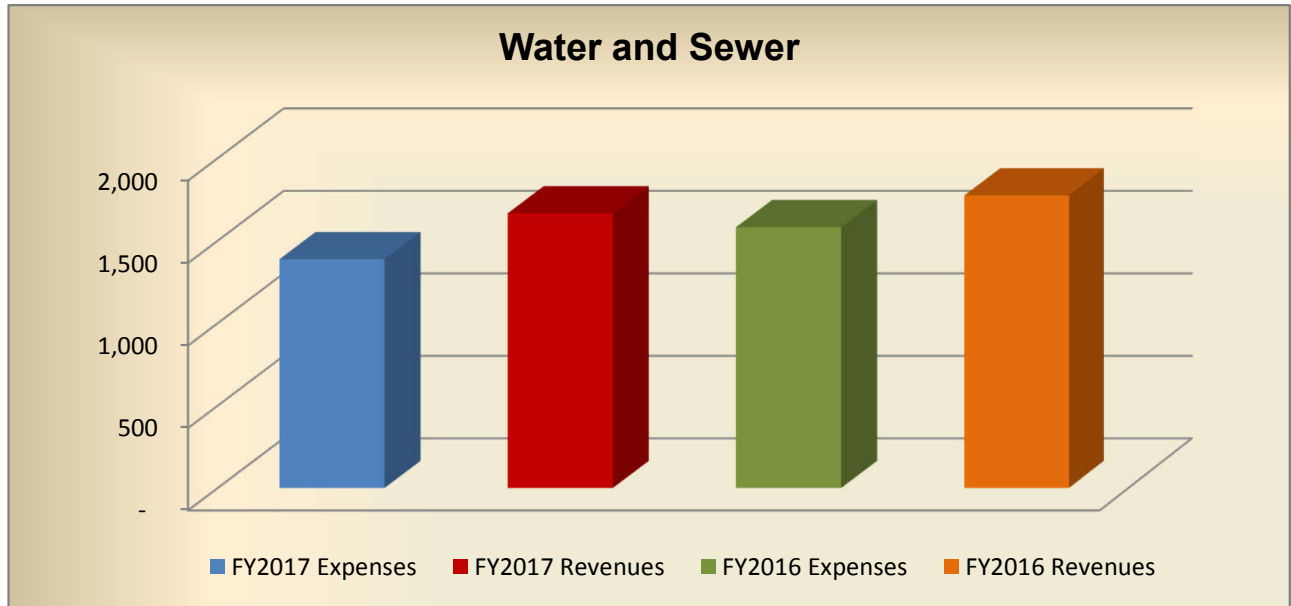
**CITY OF GRAND SALINE, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2017**

**Business-type Activities** - Business-type activities increased the City's net position by \$257,324.

---

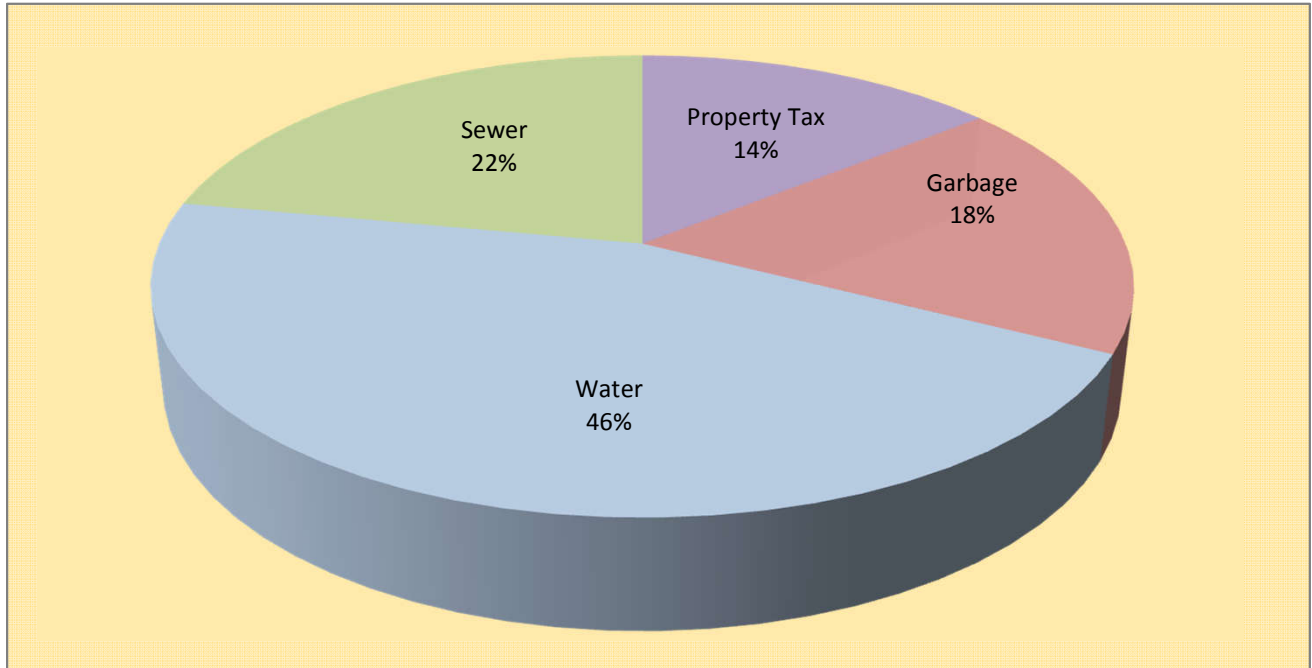
**Expenditures and Program Revenues - Business-type Activities**

(amounts expressed in thousands)




---

**Revenues by Source - Business-type Activities**



**CITY OF GRAND SALINE, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2017**

**Financial Analysis of the City's Funds**

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

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

At September 30, 2017, The City governmental funds reported total fund balance of \$550,993 which is a 14% increase in comparison with the prior year's total ending fund balance. The components of total fund balance are as follows:

- Nonspendable fund balance of \$900, or 0.2% of total fund balance, consists of prepaid expenditures that are not spendable in form.
- Restricted fund balance of \$15,978, or 2.9% of total fund balance, consists of amounts restricted by external laws or contractual obligations. These are as follows:
  - \$3,090, or 19% is for court use; and
  - \$12,888, or 81% is for tourism.
- Assigned fund balance of \$138,522, or 25.1% of total fund balance, consists of the following:
  - \$133,502, or 96.38% is for public safety;
  - \$4,980, or 3.6% is for Main Street; and
  - \$39, or 0.03% is for capital projects
- Unassigned fund balance of \$395,594, or 71.8% of total fund balance, represents residual available fund balance that has not been restricted, committed, or assigned by management, City Council, or outside third parties or entities.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$395,594. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 20% of total General Fund expenditures.

**General Fund Budgetary Highlights:** During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were more than the budgeted amounts mainly in the areas of sales tax and grants and contributions. Expenditures were significantly more than budgeted in General Government, Public Safety, Public Services, and Main Street.

**Proprietary Funds** - The proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to \$2,036,002, and \$1,253,304 was invested in capital assets less related debt.

**CITY OF GRAND SALINE, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2017**

**Capital assets** - The City of Grand Saline's investment in capital assets for its governmental and business-type activities as of September 30, 2017 totals \$5,971,956 (net of accumulated depreciation). This investment in capital assets include buildings, roads and bridges, land, machinery and equipment. The total increase in capital assets for the current fiscal year was approximately 5%.

Major capital asset events during the current fiscal year included the following:

- Purchase of two police vehicles & a public works vehicle
- Emergency service equipment
- Wastewater plant improvements

**Capital Assets**  
**As of September 30, 2017**  
**(net of accumulated depreciation)**

|                          | <b>Governmental Activities</b> |                     | <b>Business-type Activities</b> |                     | <b>Totals</b>       |                     |
|--------------------------|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
|                          | <b>2017</b>                    | <b>2016</b>         | <b>2017</b>                     | <b>2016</b>         | <b>2017</b>         | <b>2016</b>         |
| Land                     | \$ 35,471                      | \$ 35,471           | \$ 14,179                       | \$ 14,179           | \$ 49,650           | \$ 49,650           |
| Buildings                | 129,665                        | 148,083             | 8,837                           | 10,146              | 138,502             | 158,229             |
| Infrastructure           | 1,803,199                      | 1,612,729           | 3,102,045                       | 2,667,655           | 4,905,244           | 4,280,384           |
| Machinery & Equipment    | 612,278                        | 278,267             | 266,281                         | 291,157             | 878,559             | 569,424             |
| Construction in Progress | -                              | 51,213              | -                               | 742,709             | -                   | 793,922             |
| <b>Total</b>             | <b>\$ 2,580,612</b>            | <b>\$ 2,125,763</b> | <b>\$ 3,391,343</b>             | <b>\$ 3,725,846</b> | <b>\$ 5,971,956</b> | <b>\$ 5,851,609</b> |

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

**Long-term Obligations** - As of September 30, 2017, the City had total long-term obligations of \$2,316,145.

**Long-Term Obligations**  
**As of September 30, 2017**

|   | <b>Governmental Activities</b> |                   | <b>Business-type Activities</b> |                     | <b>Totals</b>       |                     |
|---|--------------------------------|-------------------|---------------------------------|---------------------|---------------------|---------------------|
|   | <b>2017</b>                    | <b>2016</b>       | <b>2017</b>                     | <b>2016</b>         | <b>2017</b>         | <b>2016</b>         |
| Refunding & Revenue Bonds<br>(backed by tax revenues and<br>net water/sewer revenues) | \$ -                           | \$ -              | \$ 1,743,040                    | \$ 2,296,952        | \$ 1,743,040        | \$ 2,296,952        |
| Notes Payable   | 109,033                        | 68,473            | 395,000                         | -                   | 504,033             | 68,473              |
| Compensated Absences  | 23,975                         | 59,161            | 10,401                          | 39,236              | 34,376              | 98,397              |
| Net Pension Liability (Asset)   | 20,658                         | 67,812            | 14,039                          | 46,086              | 34,697              | 113,898             |
|   | <b>\$ 153,665</b>              | <b>\$ 195,446</b> | <b>\$ 2,162,480</b>             | <b>\$ 2,382,274</b> | <b>\$ 2,316,145</b> | <b>\$ 2,577,720</b> |

The City of Grand Saline's long-term debt decreased by (\$261,575), or -10%, during the current fiscal year. More detailed information about the City's long-term obligations is presented in Note F to these financial statements.

**CITY OF GRAND SALINE, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2017**

**Economic Factors and Next Year's Budgets and Rates**

The FY 17-18 budget incorporates the same property tax rate at \$.94 per \$100 valuation.

Grand Saline's certified taxable value for 2018 is \$84,680,572. This is a 1.89% increase over last year's value, or plus \$1,568,174.

**Requests for Information**

This report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Grand Saline, Finance Department, 132 E. Frank, Grand Saline, Texas 75140.



## BASIC FINANCIAL STATEMENTS



**CITY OF GRAND SALINE, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

|   | <b>Primary Government</b>          |                                     |                     |                           |
|---|------------------------------------|-------------------------------------|---------------------|---------------------------|
|   | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>        | <b>Component<br/>Unit</b> |
| <b>ASSETS</b>                                       |                                    |                                     |                     |                           |
| Cash and cash equivalents                           | \$ 374,367                         | \$ 1,895,665                        | \$ 2,270,032        | \$ 349,497                |
| Receivables (net of allowance for<br>uncollectible) | 238,094                            | 141,792                             | 379,886             | 25,924                    |
| Restricted assets:                                  |                                    |                                     |                     |                           |
| Cash and cash equivalents                           | 16,018                             | 400,018                             | 416,036             | -                         |
| Prepaid expenses                                    | 900                                | -                                   | 900                 | -                         |
| Non-depreciable capital assets                      |                                    |                                     |                     |                           |
| Land  | 35,471                             | 14,179                              | 49,650              | 50,050                    |
| Construction in progress                            | -                                  | -                                   | -                   | -                         |
| Depreciable capital assets (net):                   |                                    |                                     |                     |                           |
| Buildings   | 129,665                            | 8,837                               | 138,502             | 275,991                   |
| Infrastructure                                      | 1,803,199                          | 3,102,045                           | 4,905,244           | -                         |
| Machinery & equipment                               | 612,278                            | 266,281                             | 878,559             | -                         |
| <b>Total Assets</b>                                 | <b>3,209,991</b>                   | <b>5,828,818</b>                    | <b>9,038,809</b>    | <b>701,462</b>            |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>                |                                    |                                     |                     |                           |
| Deferred outflows from pension                      | 95,836                             | 65,132                              | 160,969             | -                         |
| <b>LIABILITIES</b>                                  |                                    |                                     |                     |                           |
| Accounts payable                                    | 39,470                             | 22,014                              | 61,484              | -                         |
| Customer deposits                                   | -                                  | 71,145                              | 71,145              | -                         |
| Other liabilities                                   | -                                  | (1,135)                             | (1,135)             | -                         |
| Accrued interest payable                            | -                                  | 7,653                               | 7,653               | -                         |
| Due to other funds                                  | -                                  | -                                   | -                   | -                         |
| Noncurrent Liabilities:                             |                                    |                                     |                     |                           |
| Due within one year:                                |                                    |                                     |                     |                           |
| Compensated absences                                | -                                  | -                                   | -                   | -                         |
| Note payable  | 35,470                             | 61,000                              | 96,470              | -                         |
| Bonds payable                                       | -                                  | 97,000                              | 97,000              | -                         |
| Due in more than one year:                          |                                    |                                     |                     |                           |
| Compensated absences                                | 23,974                             | 10,401                              | 34,375              | -                         |
| Net pension liability                               | 20,658                             | 14,038                              | 34,696              | -                         |
| Note payable  | 73,563                             | 334,000                             | 407,563             | -                         |
| Bonds payable                                       | -                                  | 1,646,040                           | 1,646,040           | -                         |
| <b>Total Liabilities</b>                            | <b>193,135</b>                     | <b>2,262,155</b>                    | <b>2,455,290</b>    | <b>-</b>                  |
| <b>DEFERRED INFLOW OF RESOURCES</b>                 |                                    |                                     |                     |                           |
| Deferred inflows from pension                       | 42,425                             | 28,831                              | 71,256              | -                         |
| <b>NET POSITION</b>                                 |                                    |                                     |                     |                           |
| Net investment in capital assets                    | 2,580,612                          | 1,253,304                           | 3,833,916           | 326,041                   |
| Restricted for:                                     |                                    |                                     |                     |                           |
| Municipal   | 3,090                              | -                                   | 3,090               | -                         |
| Hotel   | 12,888                             | -                                   | 12,888              | -                         |
| Debt service  | -                                  | 313,658                             | 313,658             | -                         |
| Unrestricted  | 473,678                            | 2,036,002                           | 2,509,680           | 375,421                   |
| <b>Total Net Position</b>                           | <b>\$ 3,070,268</b>                | <b>\$ 3,602,964</b>                 | <b>\$ 6,673,232</b> | <b>\$ 701,462</b>         |

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF GRAND SALINE, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| Function/Program Activities           | Expenses          | Program Revenues     |                                    |                                  |
|---------------------------------------|-------------------|----------------------|------------------------------------|----------------------------------|
|                                       |                   | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary Government</b>             |                   |                      |                                    |                                  |
| Governmental activities:              |                   |                      |                                    |                                  |
| General government                    | \$ 438,933        | \$ 147,621           | \$ 59,263                          | \$ -                             |
| Public safety                         | 750,924           | 342,253              | -                                  | 291,635                          |
| Public services and operations        | 196,959           | -                    | -                                  | -                                |
| Parks and recreation                  | 71,921            | 37,639               | -                                  | -                                |
| Public works                          | 278,293           | -                    | -                                  | -                                |
| Interest on long-term debt            | 4,587             | -                    | -                                  | -                                |
| <b>Total governmental activities</b>  | <b>1,741,617</b>  | <b>527,512</b>       | <b>59,263</b>                      | <b>291,635</b>                   |
| Business-type activities:             |                   |                      |                                    |                                  |
| Water and sewer                       | 1,047,044         | 1,279,853            | -                                  | -                                |
| Solid waste                           | 339,920           | 381,332              | 4,144                              | -                                |
| <b>Total business-type activities</b> | <b>1,386,963</b>  | <b>1,661,184</b>     | <b>4,144</b>                       | <b>-</b>                         |
| <b>Total primary government</b>       | <b>3,128,581</b>  | <b>2,188,697</b>     | <b>63,407</b>                      | <b>291,635</b>                   |
| <b>Component unit:</b>                |                   |                      |                                    |                                  |
| Economic Development Corporation      | 159,381           | 36,600               | -                                  | -                                |
| <b>Total component unit</b>           | <b>\$ 159,381</b> | <b>\$ 36,600</b>     | <b>\$ -</b>                        | <b>\$ -</b>                      |

General revenues:  
Property taxes  
Sales taxes  
Franchise taxes  
Investment income  
Hotel/Motel tax  
Miscellaneous revenue  
Transfers  
Total general revenues and transfers  
Change in net position  
Net position - beginning  
Net position - ending

The accompanying notes to the basic financial statements are an integral part of this financial statement.

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

| <b>Primary Government</b>          |                                |              |                           |
|------------------------------------|--------------------------------|--------------|---------------------------|
| <b>Governmental<br/>Activities</b> | <b>Business<br/>Activities</b> | <b>Total</b> | <b>Component<br/>Unit</b> |
| \$ (232,050)                       | \$ -                           | \$ (232,050) | \$ -                      |
| (117,036)                          | -                              | (117,036)    | -                         |
| (196,959)                          | -                              | (196,959)    | -                         |
| (34,282)                           | -                              | (34,282)     | -                         |
| (278,293)                          | -                              | (278,293)    | -                         |
| (4,587)                            | -                              | (4,587)      | -                         |
| (863,207)                          | -                              | (863,207)    | -                         |
| -                                  | 232,809                        | 232,809      | -                         |
| -                                  | 45,556                         | 45,556       | -                         |
| -                                  | 278,365                        | 278,365      | -                         |
| (863,207)                          | 278,365                        | (584,842)    | -                         |
| -                                  | -                              | -            | (122,781)                 |
| \$ -                               | \$ -                           | \$ -         | \$ (122,781)              |
| \$ 437,643                         | \$ 276,454                     | \$ 714,098   | \$ -                      |
| 442,113                            | -                              | 442,113      | 143,429                   |
| 117,080                            | -                              | 117,080      | -                         |
| 2,112                              | 10,300                         | 12,413       | 907                       |
| 3,292                              | -                              | 3,292        | -                         |
| 25,447                             | -                              | 25,447       | 8,147                     |
| 307,796                            | (307,796)                      | -            | -                         |
| 1,335,483                          | (21,041)                       | 1,314,442    | 152,483                   |
| 472,276                            | 257,324                        | 729,600      | 29,702                    |
| 2,597,992                          | 3,345,640                      | 5,943,632    | 671,761                   |
| \$ 3,070,268                       | \$ 3,602,964                   | \$ 6,673,232 | \$ 701,462                |

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF GRAND SALINE, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2017**

|   | <b>General<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total</b>      |
|---|-------------------------|---|-------------------|
| <b>ASSETS</b>   |                         |   |                   |
| Cash and cash equivalents   | \$ 233,026              | \$ 141,341                              | \$ 374,366        |
| Receivables (net of allowance for uncollectible)                              | 238,094                 | -                                       | 238,094           |
| Cash and cash equivalents-restricted  | -                       | 16,018                                  | 16,018            |
| Prepaid items   | 900                     | -                                       | 900               |
| <b>Total Assets</b>   | <u>472,020</u>          | <u>157,359</u>                          | <u>629,379</u>    |
| <b>LIABILITIES</b>  |                         |   |                   |
| Accounts payable  | 36,611                  | 2,859                                   | 39,470            |
| Other liabilities   | -                       | -                                       | -                 |
| <b>Total Liabilities</b>  | <u>36,611</u>           | <u>2,859</u>                            | <u>39,470</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                         |   |                   |
| Unavailable revenues-property taxes   | 38,915                  | -                                       | 38,915            |
| <b>Total deferred inflows of resources</b>                                    | <u>38,915</u>           | <u>-</u>                                | <u>38,915</u>     |
| <b>FUND BALANCES</b>  |                         |   |                   |
| Nonspendable - prepaid items  | 900                     | -                                       | 900               |
| Restricted for:   |                         |   |                   |
| Municipal court   | -                       | 3,090                                   | 3,090             |
| Hotel   | -                       | 12,888                                  | 12,888            |
| Assigned:   |                         |   |                   |
| Police  | -                       | 40                                      | 40                |
| Main street   | -                       | 4,980                                   | 4,980             |
| Capital improvements  | -                       | 39                                      | 39                |
| Fire  | -                       | 127,298                                 | 127,298           |
| EMS   | -                       | 6,164                                   | 6,164             |
| Unassigned  | 395,594                 | -                                       | 395,594           |
| <b>Total Fund Balances</b>  | <u>396,494</u>          | <u>154,499</u>                          | <u>550,993</u>    |
| <b>Total Liabilities, Deferred Inflows of Resources<br/>and Fund Balances</b> | <u>\$ 472,020</u>       | <u>\$ 157,359</u>                       | <u>\$ 629,379</u> |

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF GRAND SALINE, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

**Total fund balances - governmental funds balance sheet** \$ 550,993

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 4,185,487

Accumulated depreciation is not included in the governmental fund financial statements (1,604,878)

Deferred inflow/outflow of resources for pension are not reported in the fund financial statements. 53,412

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore are not reported in the funds. (109,033)

Net pension liability included in total liabilities is not available to pay current expenditures and, therefore, is not reported in the fund financial statements. (20,658)

Accrued liabilities for compensated absences are not reflected in the fund financial statements (23,974)

Revenues earned but not available at year-end are not recognized as revenue in the fund financial statements. 38,919

**Net position of governmental activities - statement of net position** \$ 3,070,268

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF GRAND SALINE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|  | <b>General<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|-------------------------|---|---|
| <b>REVENUE</b>   |                         |   |   |
| Property taxes including P&I                                     | \$ 438,725              | \$ -                                    | \$ 438,725                              |
| Hotel/motel taxes  | -                       | 3,292                                   | 3,292                                   |
| Franchise fees   | 117,080                 | -                                       | 117,080                                 |
| Fines and forfeitures  | 143,472                 | 3,089                                   | 146,561                                 |
| Sales tax collected  | 442,113                 | -                                       | 442,113                                 |
| Licenses and permits   | 105,894                 | -                                       | 105,894                                 |
| Charge for services  | 69,244                  | 125,814                                 | 195,057                                 |
| Donations  | 5,495                   | -                                       | 5,495                                   |
| Intergovernmental  | -                       | -                                       | -                                       |
| Miscellaneous  | 19,947                  | 5,500                                   | 25,447                                  |
| <b>Total Revenues</b>  | <u>1,584,909</u>        | <u>186,390</u>                          | <u>1,771,298</u>                        |
| <b>EXPENDITURES</b>  |                         |   |   |
| Current operating:   |                         |   |   |
| General government   | 292,782                 | 4,567                                   | 297,349                                 |
| Public safety  | 478,960                 | 278,459                                 | 757,420                                 |
| Public works   | 205,847                 | -                                       | 205,847                                 |
| Public services and operations                                   | 167,475                 | 10,256                                  | 177,730                                 |
| Parks and recreation   | 82,692                  | -                                       | 82,692                                  |
| Library  | 20,044                  | -                                       | 20,044                                  |
| Main street  | 70,866                  | 6,107                                   | 76,973                                  |
| Debt service:  |                         |   |   |
| Principal paid   | 106,307                 | -                                       | 106,307                                 |
| Interest and fiscal agent fees                                   | 4,587                   | -                                       | 4,587                                   |
| Capital outlay:  |                         |   |   |
| General government   | -                       | -                                       | -                                       |
| Public safety  | 282,577                 | -                                       | 282,577                                 |
| Public works   | 235,780                 | -                                       | 235,780                                 |
| Parks and recreation   | -                       | -                                       | -                                       |
| <b>Total Expenditures</b>  | <u>1,947,916</u>        | <u>299,389</u>                          | <u>2,247,305</u>                        |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | (363,008)               | (112,999)                               | (476,007)                               |
| <b>Other Revenues and Financing Sources (uses)</b>               |                         |   |   |
| Investment income  | 1,426                   | 686                                     | 2,112                                   |
| Intergovernmental  | 53,768                  | 120,000                                 | 173,768                                 |
| Transfers  | 307,796                 | -                                       | 307,796                                 |
| <b>Total Other Financing Sources (uses)</b>                      | <u>362,990</u>          | <u>120,686</u>                          | <u>483,677</u>                          |
| <b>Net Change in Fund Balances</b>                               | (18)                    | 7,687                                   | 7,669                                   |
| <b>Fund Balances/Equity, October 1</b>                           | 396,512                 | 146,812                                 | 543,324                                 |
| <b>Fund Balances/Equity, September 30</b>                        | <u>\$ 396,494</u>       | <u>\$ 154,499</u>                       | <u>\$ 550,993</u>                       |

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF GRAND SALINE, 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, 2017**

**Net change in fund balances - total governmental funds** \$ 7,669

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are recognized as revenue then allocated over their estimated useful lives and reported as depreciation expense. 518,358

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds. (210,373)

Current year changes in deferred income are recognized within government-wide financial statements, but the changes are not reported within the fund financial statements. (1,082)

Current year long-term debt principal payments on contractual obligations, and bonds payable are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements. 106,309

Current year changes in the long term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. 35,187

Changes in net pension liability are not shown in the fund financial statements. 16,207

**Change in net position of governmental activities - statement of activities** \$ 472,276

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF GRAND SALINE, TEXAS**  
**GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|  | <b>Budgeted Amounts</b> |                   |                   | <b>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|-------------------|-------------------|---|
|  | <b>Original</b>         | <b>Final</b>      | <b>Actual</b>     |   |
| <b>REVENUE</b>   |                         |                   |                   |   |
| Property taxes including p&i                                     | \$ 469,784              | \$ 469,784        | \$ 438,725        | \$ (31,059)   |
| Franchise fees   | 123,041                 | 123,041           | 117,080           | (5,961)   |
| Fines and forfeitures  | 133,000                 | 133,000           | 143,472           | 10,472  |
| Sales tax collected  | 427,396                 | 427,396           | 442,113           | 14,717  |
| Licenses and permits   | 100,125                 | 100,125           | 105,894           | 5,769   |
| Donations  | 3,552                   | 3,552             | 5,495             | 1,943   |
| Grant proceeds   | -                       | -                 | 242,940           | 242,940   |
| Integovernmental   | 55,092                  | 55,092            | 53,768            | (1,324)   |
| Charge for services  | 55,350                  | 55,350            | 69,244            | 13,894  |
| Miscellaneous  | 15,000                  | 15,000            | 19,947            | 4,947   |
| <b>Total Revenues</b>  | <b>1,382,340</b>        | <b>1,382,340</b>  | <b>1,638,677</b>  | <b>256,337</b>  |
| <b>EXPENDITURES</b>  |                         |                   |                   |   |
| <b>General Government:</b>                                       |                         |                   |                   |   |
| Administration & public information                              | 259,038                 | 259,038           | 292,782           | (33,744)  |
| Capital expenditures   | 7,000                   | 7,000             | -                 | 7,000   |
| Principal & interest payments                                    | -                       | -                 | 110,894           | (110,894)   |
| <b>Total General Government</b>                                  | <b>266,038</b>          | <b>266,038</b>    | <b>403,676</b>    | <b>(137,638)</b>  |
| <b>Public Safety</b>   |                         |                   |                   |   |
| Police   | 349,955                 | 349,955           | 190,556           | 159,399   |
| Fire   | 48,028                  | 48,028            | 288,404           | (240,376)   |
| Capital expenditures   | 140,610                 | 140,610           | 282,577           | (141,967)   |
| <b>Total Public Safety</b>                                       | <b>538,593</b>          | <b>538,593</b>    | <b>761,537</b>    | <b>(222,944)</b>  |
| <b>Public Works</b>  |                         |                   |                   |   |
| Streets  | 207,232                 | 207,232           | 205,847           | 1,385   |
| Capital expenditures   | 225,000                 | 225,000           | 235,780           | (10,780)  |
| <b>Total Public Works</b>  | <b>432,232</b>          | <b>432,232</b>    | <b>441,627</b>    | <b>(9,395)</b>  |
| <b>Public Services and Operations</b>                            | <b>162,281</b>          | <b>162,281</b>    | <b>167,475</b>    | <b>(5,194)</b>  |
| <b>Library</b>   | <b>35,592</b>           | <b>35,592</b>     | <b>20,044</b>     | <b>15,548</b>   |
| <b>Parks and Recreation</b>                                      |                         |                   |                   |   |
| Parks and Recreation   | 47,330                  | 47,330            | 82,692            | (35,362)  |
| Capital expenditures   | 15,500                  | 15,500            | -                 | 15,500  |
| <b>Total Parks and Recreation</b>                                | <b>62,830</b>           | <b>62,830</b>     | <b>82,692</b>     | <b>(19,862)</b>   |
| <b>Main Street</b>   | <b>67,162</b>           | <b>67,162</b>     | <b>70,866</b>     | <b>(3,704)</b>  |
| <b>Total Expenditures</b>  | <b>1,564,728</b>        | <b>1,564,728</b>  | <b>1,947,916</b>  | <b>(383,188)</b>  |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | <b>(182,388)</b>        | <b>(182,388)</b>  | <b>(309,239)</b>  | <b>(126,851)</b>  |
| <b>Other Revenues and Financing Sources (uses)</b>               |                         |                   |                   |   |
| Note proceeds  | -                       | -                 | -                 | -   |
| Investment income  | 1,000                   | 1,000             | 1,426             | 426   |
| Transfers  | -                       | -                 | 307,796           | 307,796   |
| <b>Total Other Financing Sources (uses)</b>                      | <b>1,000</b>            | <b>1,000</b>      | <b>309,222</b>    | <b>308,222</b>  |
| <b>Net change in Fund Balances</b>                               | <b>(181,388)</b>        | <b>(181,388)</b>  | <b>(18)</b>       | <b>181,370</b>  |
| <b>Fund Balances/Equity, October 1</b>                           | <b>396,512</b>          | <b>396,512</b>    | <b>396,512</b>    |   |
| <b>Fund Balances/Equity, September 30</b>                        | <b>\$ 215,124</b>       | <b>\$ 215,124</b> | <b>\$ 396,494</b> |   |

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF GRAND SALINE, TEXAS**  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2017**

|  | <b>Water &amp;<br/>Sewer</b> | <b>Solid<br/>Waste</b>   | <b>Total</b>               |
|--|------------------------------|--------------------------|----------------------------|
| <b>ASSETS</b>  |                              |                          |                            |
| Current assets:  |                              |                          |                            |
| Cash and cash equivalents                              | \$ 1,618,613                 | \$ 277,052               | \$ 1,895,665               |
| Receivables (net of allow for uncollectibles)          | 135,354                      | 6,438                    | 141,792                    |
| Total current assets                                   | <u>1,753,967</u>             | <u>283,490</u>           | <u>2,037,457</u>           |
| Noncurrent assets:                                     |                              |                          |                            |
| Cash and cash equivalents-restricted                   | 400,018                      | -                        | 400,018                    |
| Capital assets:  |                              |                          |                            |
| Land & improvements                                    | 14,179                       | -                        | 14,179                     |
| Buildings  | 23,671                       | -                        | 23,671                     |
| Infrastructure   | 7,352,645                    | -                        | 7,352,645                  |
| Machinery & equipment                                  | 927,345                      | -                        | 927,345                    |
| Construction in Progress                               | -                            | -                        | -                          |
| Accumulated depreciation                               | (4,926,498)                  | -                        | (4,926,498)                |
| Total capital assets (net of accumulated depreciation) | <u>3,391,343</u>             | <u>-</u>                 | <u>3,391,343</u>           |
| Total noncurrent assets                                | <u>3,791,361</u>             | <u>-</u>                 | <u>3,791,361</u>           |
| <b>Total Assets</b>                                    | <u><u>5,545,328</u></u>      | <u><u>283,490</u></u>    | <u><u>5,828,818</u></u>    |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>                   |                              |                          |                            |
| Deferred outflows from pension                         | <u>65,132</u>                | <u>-</u>                 | <u>65,132</u>              |
| <b>LIABILITIES</b>                                     |                              |                          |                            |
| Current liabilities:                                   |                              |                          |                            |
| Accounts payable                                       | -                            | 22,014                   | 22,014                     |
| Other liabilities                                      | (1,147)                      | 11                       | (1,136)                    |
| Payable from restricted assets:                        |                              |                          |                            |
| Customer deposits                                      | 71,145                       | -                        | 71,145                     |
| Accrued interest payable                               | 7,653                        | -                        | 7,653                      |
| Notes payable - current                                | 61,000                       | -                        | 61,000                     |
| Bonds payable - current                                | 97,000                       | -                        | 97,000                     |
| Total current liabilities                              | <u>235,651</u>               | <u>22,025</u>            | <u>257,676</u>             |
| Noncurrent liabilities:                                |                              |                          |                            |
| Compensated absences                                   | 10,400                       | -                        | 10,400                     |
| Net pension liability                                  | 14,039                       | -                        | 14,039                     |
| Notes Payable  | 334,000                      | -                        | 334,000                    |
| Bonds payable  | 1,646,040                    | -                        | 1,646,040                  |
| Total noncurrent liabilities                           | <u>2,004,479</u>             | <u>-</u>                 | <u>2,004,479</u>           |
| <b>Total Liabilities</b>                               | <u><u>2,240,130</u></u>      | <u><u>22,025</u></u>     | <u><u>2,262,155</u></u>    |
| <b>DEFERRED INFLOW OF RESOURCES</b>                    |                              |                          |                            |
| Deferred inflows from pension                          | <u>28,831</u>                | <u>-</u>                 | <u>28,831</u>              |
| <b>NET POSITION</b>                                    |                              |                          |                            |
| Net investment in capital assets                       | 1,253,303                    | -                        | 1,253,303                  |
| Restricted for:  |                              |                          |                            |
| Debt service   | 313,658                      | -                        | 313,658                    |
| Unrestricted   | 1,774,538                    | 261,465                  | 2,036,003                  |
| <b>Total Net Position</b>                              | <u><u>\$ 3,341,499</u></u>   | <u><u>\$ 261,465</u></u> | <u><u>\$ 3,602,964</u></u> |

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF GRAND SALINE, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|  | <b>Water &amp;<br/>Sewer</b> | <b>Solid<br/>Waste</b> | <b>Totals</b>      |
|--|------------------------------|------------------------|--------------------|
| <b>OPERATING REVENUES:</b>                     |                              |                        |                    |
| Property taxes including p&i                   | \$ 276,454                   | \$ -                   | \$ 276,454         |
| Charges for sales and services:                |                              |                        |                    |
| Service charges                                | 1,279,853                    | 381,332                | 1,661,184          |
| Grant Revenue                                  | -                            | 4,144                  | 4,144              |
| <b>Total Operating Revenues</b>                | <b>1,556,307</b>             | <b>385,476</b>         | <b>1,941,783</b>   |
| <b>OPERATING EXPENSES:</b>                     |                              |                        |                    |
| Personal services                              | 405,503                      | -                      | 405,503            |
| Supplies and materials                         | 47,307                       | -                      | 47,307             |
| Maintenance and repair                         | 106,584                      | -                      | 106,584            |
| Contractual services                           | 173,271                      | 339,918                | 513,188            |
| Depreciation                                   | 231,125                      | -                      | 231,125            |
| <b>Total Operating Expenses</b>                | <b>963,789</b>               | <b>339,918</b>         | <b>1,303,707</b>   |
| <b>Operating Income (Loss)</b>                 | <b>592,518</b>               | <b>45,558</b>          | <b>638,075</b>     |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>      |                              |                        |                    |
| Intergovernmental                              | -                            | -                      | -                  |
| Investment income                              | 9,392                        | 907                    | 10,299             |
| Interest expense                               | (83,255)                     | -                      | (83,255)           |
| Bond Issuance Costs                            | -                            | -                      | -                  |
| <b>Total Non-Operating Revenues (Expenses)</b> | <b>(73,863)</b>              | <b>907</b>             | <b>(72,956)</b>    |
| <b>Transfers</b>                               | <b>(307,796)</b>             | <b>-</b>               | <b>(307,796)</b>   |
| <b>Change in Net Position</b>                  | <b>210,859</b>               | <b>46,465</b>          | <b>257,324</b>     |
| <b>Net Position - beginning</b>                | <b>3,130,640</b>             | <b>215,000</b>         | <b>3,345,640</b>   |
| <b>Prior period Adjustment</b>                 | <b>-</b>                     | <b>-</b>               | <b>-</b>           |
| <b>Net Position - ending</b>                   | <b>\$ 3,341,499</b>          | <b>\$ 261,465</b>      | <b>\$3,602,964</b> |

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF GRAND SALINE, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|   | <b>Water and<br/>Sewer</b> | <b>Solid<br/>Waste</b> | <b>Total</b>       |
|---|----------------------------|------------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                            |                        |                    |
| Cash received from customers  | \$1,228,628                | \$ 368,238             | \$1,596,866        |
| Cash received from other sources  | 276,454                    | 4,144                  | 280,598            |
| Cash paid to employees and suppliers  | (774,775)                  | (318,635)              | (1,093,410)        |
| <b>Net Cash Provided by Operating Activities</b>  | <u>730,307</u>             | <u>53,747</u>          | <u>784,054</u>     |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>                                     |                            |                        |                    |
| Interest expense  | (86,308)                   | -                      | (86,308)           |
| Principal payments  | (156,000)                  | -                      | (156,000)          |
| Premiums on debt  | (2,913)                    | -                      | (2,913)            |
| Transfers from primary government   | (307,796)                  | -                      | (307,796)          |
| <b>Net Cash Provided by Non-capital Financing Activities</b>                                | <u>(553,017)</u>           | <u>-</u>               | <u>(553,017)</u>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                             |                            |                        |                    |
| Acquisition or construction of capital assets   | 103,377                    | -                      | 103,377            |
| Bond Proceeds   | -                          | -                      | -                  |
| Bond issuance costs or amortization   | -                          | -                      | -                  |
| <b>Net Cash Used for Capital &amp; Related Financing Activities</b>                         | <u>103,377</u>             | <u>-</u>               | <u>103,377</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                            |                        |                    |
| Interest income   | 9,394                      | 905                    | 10,299             |
| <b>Net Cash Provided by Investing Activities</b>  | <u>9,394</u>               | <u>905</u>             | <u>10,299</u>      |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                                 | 290,061                    | 54,652                 | 344,713            |
| <b>Cash and Cash Equivalents at Beginning of Year</b>                                       | 1,728,569                  | 222,400                | 1,950,969          |
| <b>Cash and Cash Equivalents at End of Year</b>   | <u>\$2,018,631</u>         | <u>\$ 277,052</u>      | <u>\$2,295,683</u> |
| <b>Reconciliation of Operating Income to Net Cash<br/>Provided by Operation Activities:</b> |                            |                        |                    |
| Operating income (loss)   | <u>\$ 592,518</u>          | <u>\$ 45,558</u>       | <u>\$ 638,075</u>  |
| Adjustment to reconcile operating income to net cash  |                            |                        |                    |
| Provided by operating activities  |                            |                        |                    |
| Depreciation  | 231,124                    | -                      | 231,124            |
| Change in assets and liabilities  |                            |                        |                    |
| Decrease (increase) in receivables  | (46,175)                   | (13,094)               | (59,269)           |
| Increase (decrease) in accounts payable   | 23                         | 21,283                 | 21,306             |
| Increase (Decrease) in compensated absences   | (28,835)                   | -                      | (28,835)           |
| Increase (Decrease) in customer deposits  | (5,050)                    | -                      | (5,050)            |
| Increase (decrease) in other liabilities  | (2,229)                    | -                      | (2,229)            |
| Increase (decrease) in pension liability  | (11,068)                   | -                      | (11,068)           |
| Total adjustments   | <u>137,789</u>             | <u>8,189</u>           | <u>145,978</u>     |
| <b>Net Cash Provided (Used) by Operating Activities</b>                                     | <u>\$ 730,307</u>          | <u>\$ 53,747</u>       | <u>\$ 784,054</u>  |

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF GRAND SALINE, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Grand Saline, Texas ("City") was incorporated in July, 1900. The City operates under a Mayor-Council form of government and provides general administrative services and owns and operates the sewer infrastructure.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide*. The more significant policies of the City are described below:

**1. Reporting Entity**

The City is a municipal corporation governed by an elected mayor and five-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity", as amended by GASB No. 39 "Determining Whether Certain Organizations are Component Units" under GASB 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB Statement No. 39 added clarification to GASB 14 by including as component units entities which meet all three of the following requirements:

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to other access, are significant to the primary government.

Based upon the application of these tests, the City of Grand Saline has one component unit.

**Discretely presented component unit.** The Grand Saline Economic Development Corporation ("EDC") is the discretely presented component units for the City. The funding for the EDC occurs by the City transferring 1/4 of sales tax revenues collected by the City to the corporation. Adding the creation of the EDC to the resources currently available will increase the current ability to assist economic and community development in the community.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria may be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

**CITY OF GRAND SALINE, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2. Basis of Presentation**

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by the proprietary fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City also presents Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the originally adopted and final amended General Fund budget with actual results for the current fiscal year.

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units have been reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the primary government. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with specific functions or programs. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property and sales taxes, franchise taxes, and interest income).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The major governmental fund is the general fund. GASB 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

**CITY OF GRAND SALINE, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2. Basis of Presentation (continued)**

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the water, wastewater, and solid waste funds are charges to customers for sales and services. The water and wastewater fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

**3. Measurement Focus, Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due and payable shortly after year end as required by GASB Interpretation No. 6.

Ad valorem taxes, franchise and sales tax revenues recorded in the General Fund and Proprietary Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental revenues are recognized when all eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed.

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the major Governmental Fund of the City:

**CITY OF GRAND SALINE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

3. Measurement Focus, Basis of Accounting (continued)

The **General Fund** is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary Funds are accounted for using an economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

The proprietary funds are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City has two major proprietary funds:

The **Water and Sewer Fund** is used to account for the operations of the water and wastewater system. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of long-term debt principal and interest for bonds and contractual obligations when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure financial integrity of the Fund.

The **Solid Waste Fund** is used to account for the operations of the solid waste activities. This includes monitoring the contractual services for solid waste collection as well as billing and collection activities.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

Cash for all funds, excluding the City's payroll account, certain special revenue accounts, and law enforcement bank accounts, are pooled into a common interest-bearing bank account in order to maximize the investment opportunities. Each fund whose monies are deposited in the pooled cash has equity therein, and interest earned on these monies is allocated based upon relative equity at each month end.

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.

The City may invest in certificates of deposit, authorized investment pools and funds, U.S. Government Securities, commercial paper, and repurchase agreements.

b. Receivable and Payable Balances

Trade and property tax receivables are shown net of an allowance for uncollectible.

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid obscuring of significant components by aggregation.

c. Prepaid Items

Prepaid balances are for payments made by the City for which benefits extend beyond the current fiscal period, and the reserve for prepaid items has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. Prepaid items are recorded using the consumption method.

**CITY OF GRAND SALINE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

4. Financial Statement Amounts (continued)

d. Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. The City did not have any interfund balances at the end of the current fiscal period.

Legally authorized transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds.

e. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the proprietary funds represent cash and cash equivalents and investments set aside for repayments of deposits to utility customers and various bond covenants.

f. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed. The City did not capitalize any interest during the current fiscal year.

Management elected not to retroactively report infrastructure assets within the scope of GASB34.

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

| <u>Asset Class</u>     | <u>Years</u> |
|------------------------|--------------|
| Infrastructure         | 30 - 40      |
| Buildings              | 30 - 40      |
| Building Improvements  | 10           |
| Machinery and Vehicles | 7 - 20       |

g. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. The 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 (expenses/expenditures) until then. The City only has one item that qualifies for reporting in this category. The City's pension plan contributions made from the measurement date of the pension plan to the current fiscal year end are deferred and will be recognized in the subsequent fiscal year end. Also, the difference between projected and actual investment earnings that are amortized as a component of the pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

**CITY OF GRAND SALINE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

4. Financial Statement Amounts

g. Deferred outflows/inflows of resources (continued)

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 City has two items that qualify for reporting in this category. Accordingly, the item, *unavailable revenue* is reported in the governmental funds balance sheet. Deferred revenue from property taxes are shown as deferred inflow of resource. The amount is deferred and recognized as inflows of resources in the period that the amounts become available. As a component of implementing GASB Statement No. 68, a deferred inflow is recorded in the government-wide statement of net position and fund level financials for the proprietary statement of net position for the difference in projected and actual experience in the actuarial measurement of the total pension liability not recognized in the current year. The amount is deferred and amortized over a period of years determined by the Plan actuary. The differences are amortized over the average remaining service life of all participants in the respective pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

h. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised value at 100% estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 (immediately following the levy date) and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years, however, the City may, at its own expense, require annual reviews of appraisal values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of less than 5,000 population limits the ad valorem tax rate to \$1.50 per \$100 assessed value.

i. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation, overtime not paid (comp time), and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government's policy states that upon separation, an employee will not be paid for accumulated sick leave. All vacation and comp time is accrued at the close of the fiscal year end in the government-wide and proprietary fund financial statements.

**CITY OF GRAND SALINE, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**4. Financial Statement Amounts (continued)**

**j. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Management compared this method to the effective interest method and found the difference to be immaterial. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

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

**k. Pension Plan**

In government-wide financial statements, retirement plans (pension) are required to be recognized and disclosed using the accrual basis of accounting regardless of the amounts recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the City recognized a net pension liability (asset), which represents the City's proportionate share of the excess of the total pension liability (asset) over the fiduciary net position of the pension reflected in the actuarial report provided by the Texas Municipal Retirement System ("TMRS"). The net pension liability (asset) is measured as of December 31, 2016. Changes in the net pension liability (asset) are recorded as pension expense or as deferred inflows of resource or deferred outflows of resources depending on the nature of the change. The changes in net pension liability (asset) that are recorded as deferred inflow of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) will be amortized over the weighted average remaining service life of all participants and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred inflows/outflows of resources relating to pension expense, information about the fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Projected earning on pension investments are recognized as components of pension expense. Difference between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflow of resources and will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed five-year period of recognition.

**l. Net Position Flow Assumption**

Sometimes the City 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 and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

**CITY OF GRAND SALINE, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

4. Financial Statement Amounts (continued)

m. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed. Federal grants are reported in the General Fund.

n. Fund Equity

In the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* - amounts that can only be used for specific purposes determined by ordinance by City Council and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned fund balance* - amounts that are constrained by the City's *intent* to be used for specific purposes. The intent can be established by City Council or by the City Administrator.
- *Unassigned fund balance* - the residual classification for the City General Fund that includes amounts not contained in the other classifications.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year. Committed funds will be used first followed by assigned funds.

The City has adopted a policy to achieve and maintain an unassigned General Fund balance equal to 16.67% of budgeted expenditures. The City considers a balance of less than 8.34% to be a cause for concern, barring unusual or deliberate circumstances. In the event that the unassigned General Fund balance is less than the policy anticipates the City shall plan to adjust budget resources in the subsequent fiscal years to restore the balance. Currently, the City is in compliance with this policy.

o. Fund Balance Flow Assumption

Sometimes the City 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 City's policy to consider restricted fund balances 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.

**CITY OF GRAND SALINE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

4. Financial Statement Amounts (continued)

p. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statement in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

q. Interfund Activity

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

r. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

s. Program Revenues

Certain revenues such as charges for services are included in program revenues.

t. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

**B. COMPLIANCE AND ACCOUNTABILITY**

1. Finance-Related Legal and Contractual Provisions

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

| <u>Violation</u> | <u>Action Taken</u> |
|------------------|---------------------|
| None reported    | N/A                 |

2. Deficit Fund Balance or Fund Net Position of Individual Funds

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

| <u>Fund Name</u> | <u>Deficit Amount</u> |
|------------------|-----------------------|
| None reported    | N/A                   |

**CITY OF GRAND SALINE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**B. COMPLIANCE AND ACCOUNTABILITY** (continued)

3. Budgets and Budgetary Accounting

Annual budgets are adopted on a modified accrual basis. Annual appropriated budgets are legally adopted for the General Fund. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

Prior to September 1, the City Administrator prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain taxpayer comments.

The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year to which it applies, which can be amended by the Council.

Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund.

The level of control (the level at which expenditures may not exceed the budget) is the fund level. The City Administrator is authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

**C. DEPOSITS AND INVESTMENTS**

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

*Cash Deposits*

At September 30, 2017, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,686,068 and the bank balance was \$2,729,297. The City's cash deposits at September 30, 2017 and during the year ended September 30, 2017, were entirely covered by FDIC or by pledged collateral held by the City's agent bank in the City's name.

Statement of net position:

|   |                     |
|---|---------------------|
| Primary Government                          |                     |
| Cash and cash equivalents                   | \$ 2,270,032        |
| Restricted assets-cash and cash equivalents | 416,036             |
| Total cash and cash equivalents             | <u>\$ 2,686,068</u> |
| Governmental-Restricted Cash                |                     |
| Technology Fund                             | \$ 632              |
| Security Fund                               | 2,458               |
| Drug Seizure                                | 40                  |
| Hotel Fund                                  | 12,888              |
| Total                                       | <u>\$ 16,018</u>    |
| Business-type - Restricted Cash             |                     |
| Debt Service Fund                           | \$ 313,659          |
| Customer Deposits                           | 86,359              |
| Total                                       | <u>\$ 400,018</u>   |

**CITY OF GRAND SALINE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**C. DEPOSITS AND INVESTMENTS** (continued)

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

*Investment Accounting Policy*

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

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

*Fair Value of Investments*

Fair value is the amount at which a security could be exchanged in a current transaction between willing parties, other than forced liquidation. GASB 79 created an election option for external investment pools and pool participants to continue to utilize amortized cost accounting, rather than fair value, for certain investment pools and eliminated the reference to SEC 2a-7 guidance. Participants in qualifying pools would be permitted to continue measuring investments at amortized cost if they met certain criteria. The City's investment pools (Texpool and TexStar) are all in compliance with GASB 79. The City's investment pools Texpool and TexStar have elected to continue to measure its investments at fair value even though they meet all criteria under GASB 79 to report at amortized cost. The City's investment pool Texpool has elected to continue reporting assets at amortized cost. The City has mirrored these valuations.

| <u>Investment Type</u> | <u>Amount</u>     | <u>S&amp;P<br/>Rating</u> | <u>Weighted<br/>Average<br/>Maturity</u> | <u>Fair Value Measurements<br/>Using Significant Other<br/>Observable Inputs (Level 2)</u> |
|------------------------|-------------------|---------------------------|--|--|
| Texpool                | \$ 581,313        | AAA-m                     | 37 days                                  | N/A  |
| TexStar                | 39                | AAA-m                     | 29 days                                  | N/A  |
|                        | <u>\$ 581,352</u> |                           |  |  |

The City is required to disclose the fair value of its investments within the fair value hierarchy established in GASB 72. In the the fair value hierarchy there are three levels:

1. Level One: Inputs that are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government government can access at the measurement date.
2. Level Two: Inputs (other than quoted prices included within level one) that are observable for an asset or liability, either directly or indirectly.
3. Level Three: Unobservable inputs for an asset or liability.

**CITY OF GRAND SALINE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**C. DEPOSITS AND INVESTMENTS** (continued)

Federal Securities classified as level two of the fair value hierarchy are valued using an evaluation model maintained by surveying the dealer community, obtaining relevant trade dates and spreads, and incorporating information into the evaluation process.

U.S. Treasury Notes classified as level two of the fair value hierarchy are valued using an evaluation model with continuous continuous feeds from live data sources including active market makers and inter-dealer brokers.

The City invests in both Texpool and TexStar investment pool which maintain a stable net asset value (NAV) of \$1 per share using the fair value method. The City has no unfunded commitments to these pools and may redeem investments at any time.

As of September 30, 2017 the City's investments all were classified as level two according to GASB Statement No. 72, except for the pools which are exempt from the level of fair value disclosure because they are valued either at NAV or amortized cost.

*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

*Investment in State Investment Pools*

The City is a voluntary participant in two investment pools. These pools included the following: Texpool and TexSTAR.

The Texas Local Investment Pool is a local government investment pool which operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This type of investment pool uses amortized costs rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool. The Texas Local Government Investment Pool is organized in conformity with the Interlocal Corporation Act, Chapter 791 of the Texas Government code and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Pool is governed by an Advisory Board composed equally of participants in the participants in the Pool and other persons who do not have a business relationship with the Pool who are qualified to advise the Pool. A request for TexPool's financial statements can be obtained at [www.texpool.com](http://www.texpool.com)

**CITY OF GRAND SALINE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**C. DEPOSITS AND INVESTMENTS**

*Investment in State Investment Pools (continued)*

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. 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, TexPool is rated AAAM by Standard and Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard and Poor's, as well as the office of the Comptroller for public review.

The City also invested in TexSTAR. TexSTAR is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. Together, these organizations bring to the TexSTAR program the powerful partnership of two leaders in financial services with a proven and noted track record in local government investment pool management. TexSTAR is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity, and competitive yield. The fund is rated AAA by Standard and Poor's. A request for TexSTAR's financial statements can be obtained at [www.TexStar.org](http://www.TexStar.org).

**D. RECEIVABLES**

Receivables as of year end for the government's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

|                       | Governmental      | Proprietary       | Total             |
|-----------------------|-------------------|-------------------|-------------------|
| Receivables:          |                   |                   |                   |
| Taxes                 | \$ 167,500        | \$ -              | \$ 167,500        |
| Fees and Charges      | 297,017           | 167,915           | 464,932           |
| Gross Receivables     | <u>464,517</u>    | <u>167,915</u>    | <u>632,432</u>    |
| Less: allowance       |                   |                   |                   |
| for uncollectibles    | <u>(226,423)</u>  | <u>(26,123)</u>   | <u>(252,546)</u>  |
| Net Total Receivables | <u>\$ 238,094</u> | <u>\$ 141,792</u> | <u>\$ 379,886</u> |

**CITY OF GRAND SALINE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**E. CAPITAL ASSETS**

Capital asset activity for the period ended September 30, 2017 was as follows:

|  | Beginning<br>Balances | Transfers          | Additions         | Decreases           | Ending<br>Balances  |
|--|-----------------------|--------------------|-------------------|---------------------|---------------------|
| <b>Governmental Activities</b>               |                       |                    |                   |                     |                     |
| Capital assets, not being depreciated:       |                       |                    |                   |                     |                     |
| Land   | \$ 35,471             | \$ -               | \$ -              | \$ -                | \$ 35,471           |
| Construction In Progress                     | 51,213                | (51,213)           | -                 | -                   | -                   |
| Total capital assets, not being depreciated  | 86,684                | (51,213)           | -                 | -                   | 35,471              |
| Capital assets, being depreciated:           |                       |                    |                   |                     |                     |
| Buildings & Improvements                     | 302,300               | -                  | 6,310             | -                   | 308,610             |
| Infrastructure                               | 1,975,149             | 51,213             | 229,460           | -                   | 2,255,822           |
| Machinery & Equipment                        | 1,156,140             | -                  | 429,448           | -                   | 1,585,588           |
| Total capital assets being depreciated       | 3,433,589             | 51,213             | 665,218           | -                   | 4,150,020           |
| Less accumulated depreciation for:           |                       |                    |                   |                     |                     |
| Buildings & Improvements                     | (155,437)             | -                  | (23,508)          | -                   | (178,945)           |
| Infrastructure                               | (362,420)             | -                  | (90,203)          | -                   | (452,623)           |
| Machinery & Equipment                        | (876,648)             | -                  | (96,662)          | -                   | (973,310)           |
| Total accumulated depreciation               | (1,394,505)           | -                  | (210,373)         | -                   | (1,604,878)         |
| Total capital assets being depreciated, net  | 2,039,084             | 51,213             | 454,845           | -                   | 2,545,142           |
| Governmental activities capital assets, net  | <u>\$ 2,125,768</u>   | <u>\$ -</u>        | <u>\$ 454,845</u> | <u>\$ -</u>         | <u>\$ 2,580,613</u> |
|  | Beginning<br>Balances | Transfers          | Additions         | Decreases           | Ending<br>Balances  |
| <b>Business-type Activities</b>              |                       |                    |                   |                     |                     |
| Capital assets, not being depreciated:       |                       |                    |                   |                     |                     |
| Land   | \$ 14,179             | \$ -               | \$ -              | \$ -                | \$ 14,179           |
| Construction in Progress                     | 742,709               | (329,364)          | -                 | (413,345)           | -                   |
| Total capital assets, not being depreciated  | 756,888               | (329,364)          | -                 | (413,345)           | 14,179              |
| Capital assets, being depreciated:           |                       |                    |                   |                     |                     |
| Buildings & Improvements                     | 23,671                | -                  | -                 | -                   | 23,671              |
| Infrastructure                               | 6,741,677             | 281,604            | 329,364           | -                   | 7,352,645           |
| Machinery & Equipment                        | 898,983               | -                  | 28,359            | -                   | 927,342             |
| Total capital assets being depreciated       | 7,664,331             | 281,604            | 357,723           | -                   | 8,303,658           |
| Less accumulated depreciation for:           |                       |                    |                   |                     |                     |
| Buildings & Improvements                     | (13,524)              | -                  | (1,310)           | -                   | (14,834)            |
| Infrastructure                               | (4,074,022)           | -                  | (176,578)         | -                   | (4,250,600)         |
| Machinery & Equipment                        | (607,827)             | -                  | (53,234)          | -                   | (661,061)           |
| Total accumulated depreciation               | (4,695,373)           | -                  | (231,122)         | -                   | (4,926,495)         |
| Total capital assets being depreciated, net  | 2,968,958             | 281,604            | 126,601           | -                   | 3,377,163           |
| Business-type activities capital assets, net | <u>\$ 3,725,846</u>   | <u>\$ (47,760)</u> | <u>\$ 126,601</u> | <u>\$ (413,345)</u> | <u>\$ 3,391,342</u> |

**CITY OF GRAND SALINE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**F. LONG-TERM OBLIGATIONS**

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2017, is as follows:

|  | Beginning<br>Balance | Additions         | Reductions          | Ending<br>Balance   | Due Within<br>One Year |
|--|----------------------|-------------------|---------------------|---------------------|------------------------|
| <b>Governmental Activities</b>                   |                      |                   |                     |                     |                        |
| Notes Payable                                    | \$ 68,473            | \$ 146,870        | \$ (106,311)        | \$ 109,033          | \$ 35,470              |
| Total Notes Payable                              | 68,473               | 146,870           | (106,311)           | 109,033             | 35,470                 |
| Net Pension Liability (Asset)                    | 67,812               | -                 | (47,154)            | 20,658              | -                      |
| Compensated Absences                             | 59,161               | 5,900             | (41,087)            | 23,974              | -                      |
| Governmental Activities<br>Long-term obligations | <u>\$ 195,446</u>    | <u>\$ 152,770</u> | <u>\$ (194,552)</u> | <u>\$ 153,665</u>   | <u>\$ 35,470</u>       |
|  | Beginning<br>Balance | Addition          | Reduction           | Ending<br>Balance   | Due Within<br>One Year |
| <b>Business-type Activities</b>                  |                      |                   |                     |                     |                        |
| Water & Sewer                                    |                      |                   |                     |                     |                        |
| Refunding Bonds                                  | \$ 1,806,000         | \$ -              | \$ (95,000)         | \$ 1,711,000        | \$ 97,000              |
| Plus: premium                                    | 34,952               | -                 | (2,912)             | 32,040              | -                      |
| Total Bonds Payable                              | 1,840,952            | -                 | (97,912)            | 1,743,040           | 97,000                 |
| Note Payable                                     | 456,000              | -                 | (61,000)            | 395,000             | 62,000                 |
| Net Pension Liability (Asset)                    | 46,086               | -                 | (32,047)            | 14,039              | -                      |
| Compensated Absences                             | 39,236               | 16,723            | (45,558)            | 10,401              | -                      |
| Business-type activity<br>Long-term obligations  | <u>\$ 2,382,274</u>  | <u>\$ 16,723</u>  | <u>\$ (236,517)</u> | <u>\$ 2,162,480</u> | <u>\$ 159,000</u>      |

**CITY OF GRAND SALINE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**F. LONG-TERM OBLIGATIONS** (continued)

Compensated absences represent the estimated liability for employees' accrued vacation leave for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund or Proprietary Fund based on the assignment of an employee at date of termination.

*Changes in Governmental Long-Term Debt*

| Description         | Interest Rate Payable | Amounts Original Issue | Amounts Outstanding September 30, 2016 | Issued            | Retired             | Amounts Outstanding September 30, 2017 | Due Within One Year |
|---------------------|-----------------------|------------------------|--|-------------------|---------------------|--|---------------------|
| 2015 Gov Capital    | 3.96%                 | \$ 102,545             | \$ 68,473                              | \$ -              | \$ (68,473)         | \$ -                                   | \$ -                |
| 2017 Southside Bank | 3.28%                 | 146,870                | -                                      | 146,870           | (37,837)            | 109,033                                | 35,470              |
| Total Notes Payable |                       | <u>\$ 249,415</u>      | <u>\$ 68,473</u>                       | <u>\$ 146,870</u> | <u>\$ (106,310)</u> | <u>\$ 109,033</u>                      | <u>\$ 35,470</u>    |

Debt service requirements are as follows:

| Year Ending September 30: | Principal         | Interest        | Total Requirements |
|---------------------------|-------------------|-----------------|--------------------|
| 2018                      | \$ 35,470         | \$ 2,140        | \$ 37,610          |
| 2019                      | 36,633            | 2,442           | 39,075             |
| 2020                      | 36,930            | 1,241           | 38,171             |
|                           | <u>\$ 109,033</u> | <u>\$ 5,823</u> | <u>\$ 114,856</u>  |

*Notes Payable*

\$68,473 promissory note issued fiscal year 2015 to finance police vehicles was paid in full in fiscal year 2017.

In fiscal year 2017, a note in the amount of \$146,870 was issued to finance the purchase of two police vehicles and a public works truck with interest rate of 3.28%. This note will be paid in full in FY2020.

*Changes in Business-type Long-Term Debt*

| Description         | Interest Rate Payable | Amounts Original Issue | Amounts Outstanding September 30, 2016 | Issued      | Retired             | Amounts Outstanding September 30, 2017 | Due Within One Year |
|---------------------|-----------------------|------------------------|--|-------------|---------------------|--|---------------------|
| 2007 Refunding      | 4.77%                 | \$ 1,758,000           | \$ 1,559,000                           | \$ -        | \$ (38,000)         | \$ 1,521,000                           | \$ 38,000           |
| 2012 Refunding      | 2.20%                 | 464,000                | 247,000                                | -           | (57,000)            | 190,000                                | 64,000              |
| Total Bonds Payable |                       | 2,222,000              | 1,806,000                              | -           | (95,000)            | 1,711,000                              | 102,000             |
| 2016 Tax Note       | 2.40%                 | 456,000                | 456,000                                | -           | (61,000)            | 395,000                                | 62,000              |
| TOTAL               |                       | <u>\$ 2,678,000</u>    | <u>\$ 2,262,000</u>                    | <u>\$ -</u> | <u>\$ (156,000)</u> | <u>\$ 2,106,000</u>                    | <u>\$ 164,000</u>   |

Debt service requirements are as follows:

| Year Ending September 30: | Principal           | Interest          | Total Requirements  |
|---------------------------|---------------------|-------------------|---------------------|
| 2018                      | \$ 164,000          | \$ 85,108         | \$ 249,108          |
| 2019                      | 168,000             | 80,311            | 248,311             |
| 2020                      | 177,000             | 75,296            | 252,296             |
| 2021                      | 203,000             | 67,972            | 270,972             |
| 2022-2026                 | 923,000             | 214,410           | 1,137,410           |
| 2027-2029                 | 471,000             | 29,836            | 500,836             |
|                           | <u>\$ 2,106,000</u> | <u>\$ 552,933</u> | <u>\$ 2,658,933</u> |

**CITY OF GRAND SALINE, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**F. LONG-TERM OBLIGATIONS**

*Changes in Business-type Long-Term Debt (continued)*

On July 19, 2007, \$1,715,000 in advanced refunding bonds were defeased by the City. As a result of this transaction, \$1,758,000 in replacement debt was acquired.

\$464,000 Series 2012, general obligation refunding bond, issued to refund the Series 2000 tax and wastewater revenue CO and Series 2000 tax and revenue refunding bond.

*Note Payable*

\$456,000 Tax note issued in December 2015 for the renovation of the water tower. This note will be paid in full in FY2023

**G. OPERATING LEASE**

The City leases a copier to provide equipment for the printing, copying, faxing, and scanning needs of the City during daily operation. The total cost for the lease was \$2,086 for the year ended September 30, 2017.

**H. PENSION PLAN**

1. Plan Description

The City provides pension benefits for all its eligible employees through a non-traditional, joint contributory, hybrid defined benefit 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 ("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 of the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report ("CAFR") that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

**CITY OF GRAND SALINE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**H. PENSION PLAN (CONTINUED)**

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefits provisions are adopted by the City Council, within the options available in the statutes governing TMRS.

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

*Employees covered by benefit terms:*

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

|  | Plan Year |           |
|--|-----------|-----------|
|  | 2015      | 2016      |
| Inactive employees or beneficiaries currently receiving benefits | 13        | 14        |
| Inactive employees entitled to but not yet receiving benefits    | 20        | 18        |
| Active employees   | 23        | 23        |
|  | <u>56</u> | <u>55</u> |

3. Contributions

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

Employees for the City were required to contribute 6.75% of their annual gross earnings during the fiscal year. Contribution rates for the City were 5.95% and 5.81% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2017 were \$57,147.

4. Net Pension Liability

The City's Net Pension Liability/(Asset) ("NPL") was measured as of December 31, 2016, and the Total Pension Liability ("TPL") used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability/(Asset) in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.5% per year  |
| Overall payroll growth    | 2% per year  |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |

**CITY OF GRAND SALINE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**H. PENSION PLAN**

4. Net Pension Liability (continued)

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

Actuarial assumptions used in the December 31, 2016 valuations were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to staisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income. In order to satisfy the short-term and long-term funding needs of TMRS.

**CITY OF GRAND SALINE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**H. PENSION PLAN**

4. Net Pension Liability (continued)

*Discount Rate*

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

|   | Increase (Decrease)     |                             |                       |
|---|-------------------------|-----------------------------|-----------------------|
|   | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|   | (a)                     | (b)                         | (a) - (b)             |
| Balance at 12/31/2015   | \$ 2,704,256            | \$ 2,590,358                | \$ 113,898            |
| Changes from the year:  |                         |                             |                       |
| Service cost  | 99,665                  |                             | 99,665                |
| Interest  | 181,128                 |                             | 181,128               |
| Change of benefit terms                                       | -                       |                             | -                     |
| Difference between expected and actual experience             | (82,185)                |                             | (82,185)              |
| Changes of assumptions  | -                       |                             | -                     |
| Contributions - employer                                      |                         | 46,455                      | (46,455)              |
| Contributions - employee                                      |                         | 58,381                      | (58,381)              |
| Net investment income   |                         | 175,058                     | (175,058)             |
| Benefit payments, including refunds of employee contributions | (141,418)               | (141,418)                   | -                     |
| Administrative expense  |                         | (1,977)                     | 1,977                 |
| Other changes   |                         | (107)                       | 107                   |
| Net changes   | 57,190                  | 136,392                     | (79,202)              |
| Balance at 12/31/2016   | <u>\$ 2,761,446</u>     | <u>\$ 2,726,750</u>         | <u>\$ 34,696</u>      |

*Sensitivity of the net position liability to change in the discount rate*

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

|  | Current Single Rate |                  |                     |
|--|---------------------|------------------|---------------------|
|  | 1% Decrease         | Assumption       | 1% Increase         |
|  | 5.75%               | 6.75%            | 7.75%               |
|  | <u>\$ 401,302</u>   | <u>\$ 34,696</u> | <u>\$ (266,514)</u> |

**CITY OF GRAND SALINE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**H. PENSION PLAN** (continued)

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

For the year ended September 30, 2017, the City recognized pension expense of \$8,157.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflow of<br>Resources | Deferred<br>Inflow of<br>Resources |
|---|-------------------------------------|------------------------------------|
| Differences between expected and actual economic experience           | \$ -                                | \$ (71,090)                        |
| Changes in actuarial assumptions                                      | 7,931                               | -                                  |
| Differences between projected and actual investment earnings          | 117,495                             | (166)                              |
| Contributions subsequent to the measurement date of December 31, 2016 | 35,543                              | -                                  |
|   | <u>\$ 160,969</u>                   | <u>\$ (71,256)</u>                 |

\$35,543 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

|   |                  |
|---|------------------|
| Net deferred outflows (inflows) of resources: |                  |
| December 31                                   |                  |
| 2017  | 2,385            |
| 2018  | 16,925           |
| 2019  | 34,900           |
| 2020  | (41)             |
| Thereafter                                    | -                |
|   | <u>\$ 54,169</u> |

6. Group Term Life Insurance

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by 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 City's contributions to the TMRS SDBF for the years ended 2017 and 2016 were \$3,086 and \$3,652, respectively which equaled the required contributions each year.

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 GRAND SALINE, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**I. HEALTH CARE COVERAGE**

During the year ended September 30, 2017, employees of the City were covered by a health insurance plan ("Plan"). The City paid 100% of the premium per pay period per employee and 0% of the cost for dependents. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All contributions were paid to Texas Municipal League Intergovernmental Benefits Pool. The Plan was authorized by article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The City also pays the premiums for \$10,000 life insurance policies for each employee. Employees can, at their option, obtain coverage for cancer, dental, vision and additional life insurance through the Plan. Employees pay 100% of the premiums for any such additional coverage.

The contract between the City and the other participants of the self-funded pool is renewable October 1 and the terms of coverage and premium cost are included in the contract provision.

Additional assessments cannot be made by the Plan during the year. Because of the terms of agreement with the Plan, no reserve for self-insurance has been established.

**J. INSURANCE COVERAGE**

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$125,000 and for aggregate loss. According to the latest actuarial opinion dated October 1, 2017, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

**K. RISK MANAGEMENT**

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

**L. LITIGATION**

The City is not currently subject to any legal proceedings.

**M. ADDITIONAL WATER AND SEWER INFORMATION**

The following information is included at the request of the Texas Water Development Board for the year under audit. Water Accountability Report:

|                |             |
|----------------|-------------|
| Gallons Pumped | 108,742,000 |
| Gallons Billed | 92,628,787  |

**CITY OF GRAND SALINE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**N. TRANSFERS**

|                     | <u>Transfers Out</u> | <u>Transfers In</u> | <u>Totals</u> |
|---------------------|----------------------|---------------------|---------------|
| Governmental Funds  | \$ -                 | \$ 307,796          | \$ 307,796    |
| Business-type Funds | (307,796)            | -                   | (307,796)     |
|                     | <u>\$ (307,796)</u>  | <u>\$ 307,796</u>   | <u>\$ -</u>   |

Transfers are used for 1) debt service obligations and 2) administrative fees.

**O. RELATED PARTY TRANSACTIONS**

Management noted related party transactions during the year concerning City automobiles repaired at a local repair shop owned by a council member. These transactions were compared to others of the same nature and found to be comparable.

**P. SUBSEQUENT EVENTS**

The City has evaluated all events or transactions that occurred after September 30, 2017 up through July 5, 2017, the date the financial statements were available to be issued. During this period, management noted no subsequent events requiring disclosure.

**Q. ECONOMIC DEVELOPMENT CORPORATION ("EDC")**

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, the EDC is a discretely presented component unit on the combined financial statements. The EDC incorporated in February, 1997. The funding for the EDC occurs by the City transferring 1/4 of sales tax revenues collected by the City to the EDC. The EDC is managed by a board of directors composed entirely of persons appointed by the governing body of the City of Grand Saline, Texas. The purpose of EDC is to promote economic development by funding public improvements, including but not limited to, public safety, streets, traffic control, water utilities drainage, parks and other projects, for the promotion and development of new and expanded business enterprises as set out in Article 5910.06, Section 4B of the Texas Revised Civil Statutes Development Corporation Act of 1979. There are no separate financial statements for the EDC.

**R. COMPLIANCE AND ACCOUNTABILITY**

1. Finance-Related Legal and Contractual Provisions

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

| <u>Violation</u> | <u>Action Taken</u> |
|------------------|---------------------|
| None Reported    | N/A                 |

**CITY OF GRAND SALINE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**S. ECONOMIC DEVELOPMENT CORPORATION ("EDC")**

*1. Cash Deposits*

At September 30, 2017, the carrying amount of the EDC's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$304,282 and the bank balance was \$302,620. The EDC's cash deposits at September 30, 2017 and during the year ended September 30, 2017 were entirely covered by FDIC or by pledged collateral held by the EDC's agent bank in the EDC's name.

Statement of net position:

|                           |                   |
|---------------------------|-------------------|
| Cash and cash equivalents | <u>\$ 349,497</u> |
|---------------------------|-------------------|

*2. Receivables*

Receivables as of fiscal year-end for the EDC were \$27,595 representing sales tax owed from the City. Receivables were collected after year-end; therefore, no allowance for uncollectible has been recorded.

*3. Capital Assets*

Capital asset activity for the period ended September 30, 2017 was as follows:

|  | Beginning<br>Balances | Additions          | Decreases   | Ending<br>Balances |
|--|-----------------------|--------------------|-------------|--------------------|
| <b>EDC Activities</b>                        |                       |                    |             |                    |
| Capital assets, not being depreciated        |                       |                    |             |                    |
| Land   | \$ 50,050             | \$ -               | \$ -        | \$ 50,050          |
| Total capital assets, not being depreciated  | <u>50,050</u>         | <u>-</u>           | <u>-</u>    | <u>50,050</u>      |
| Capital assets, being depreciated:           |                       |                    |             |                    |
| Buildings & Improvements                     | 383,998               | -                  | -           | 383,998            |
| Machinery & Equipment                        | 1,791                 | -                  | -           | 1,791              |
| Total capital assets being depreciated       | <u>385,789</u>        | <u>-</u>           | <u>-</u>    | <u>385,789</u>     |
| Less accumulated depreciation for:           |                       |                    |             |                    |
| Buildings & Improvements                     | (94,048)              | (14,199)           | -           | (108,247)          |
| Machinery & Equipment                        | (1,435)               | (116)              | -           | (1,551)            |
| Total accumulated depreciation               | <u>(95,483)</u>       | <u>(14,315)</u>    | <u>-</u>    | <u>(109,798)</u>   |
| Total capital assets, being depreciated, net | <u>290,306</u>        | <u>(14,315)</u>    | <u>-</u>    | <u>275,991</u>     |
| EDC activities capital assets, net           | <u>\$ 340,356</u>     | <u>\$ (14,315)</u> | <u>\$ -</u> | <u>\$ 326,041</u>  |

*4. Subsequent Events*

The EDC has evaluated all events or transactions that occurred after September 30, 2017 up through July 5, 2018, the date the financial statements were available to be issued. During this period, management noted no material subsequent events requiring disclosure.



## REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF GRAND SALINE, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**SCHEDULE OF CONTRIBUTIONS  
LAST TWO FISCAL YEARS (UNAUDITED)**

|   | <u>12/31/2016</u> | <u>12/31/2015</u> | <u>12/31/2014</u> |
|---|-------------------|-------------------|-------------------|
| Actuarially determined contribution                                     | \$ 45,371         | \$ 44,460         | \$ 52,329         |
| Contributions in relation to the actuarially<br>determined contribution | <u>\$ 45,371</u>  | <u>\$ 44,460</u>  | <u>\$ 52,329</u>  |
| Contributions deficiency (excess)                                       | \$ -              | \$ -              | \$ -              |
| Covered employee payroll  | \$ 834,020        | \$ 798,211        | \$ 820,209        |
| Contributions as a percentage of covered<br>employee payroll            | 5.44%             | 5.57%             | 6.38%             |

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

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 | 25 years   |
| Asset Valuation Method        | 10-year smoothed market; 15% soft corridor   |
| Inflation                     | 2.50%  |
| Salary Increases              | 3.50% to 10.50% including inflation  |
| Investment Rate of Return     | 6.75%  |
| Retirement Age                | Experience-based table of rates that are specific to the City's plan of benefits.<br>Last updated for the 2015 valuation pursuant to an experience study of the<br>period 2010-2014                |
| Mortality                     | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates<br>multiplied by 109% and female rates multiplied by 103% and projected on a fully<br>generational basis with scale BB |

**Other Information:**

Notes There were no benefit changes during the year.

Note: Years will continue to be added until there are 10 years for comparison

**CITY OF GRAND SALINE, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS-TMRS**

|   | 12/31/2016          | 12/31/2015         | 12/31/2014         |
|---|---------------------|--------------------|--------------------|
| <b>Total pension liability</b>  |                     |                    |                    |
| Service cost  | \$ 99,665           | \$ 93,471          | \$ 93,290          |
| Interest (on the Total Pension Liability)                                     | 181,128             | 178,228            | 176,523            |
| Changes of benefit terms  | -                   | -                  | -                  |
| Difference between expected and actual experience                             | (82,185)            | (70,391)           | (125,158)          |
| Change of assumptions   | -                   | 37,303             | -                  |
| Benefit payments, including refunds of employee contributions                 | (141,418)           | (67,455)           | (173,337)          |
| <b>Net Change in Total Pension Liability</b>                                  | 57,190              | 171,156            | (28,682)           |
| <b>Total Pension Liability - Beginning</b>                                    | 2,704,256           | 2,533,100          | 2,561,782          |
| <b>Total Pension Liability - Ending</b>                                       | <u>\$ 2,761,446</u> | <u>\$2,704,256</u> | <u>\$2,533,100</u> |
| <b>Plan Fiduciary Net Position</b>  |                     |                    |                    |
| Contribution - employer   | \$ 46,455           | \$ 50,926          | \$ 51,509          |
| Contribution - employee   | 58,381              | 55,875             | 57,415             |
| Net investment income   | 175,058             | 3,762              | 141,521            |
| Benefit payments, including refunds of employee contributions                 | (141,418)           | (67,455)           | (173,337)          |
| Administrative expense  | (1,977)             | (2,292)            | (1,478)            |
| Other   | (107)               | (113)              | (121)              |
| <b>Net Change in Plan Fiduciary Net Position</b>                              | 136,392             | 40,703             | 75,509             |
| <b>Plan Fiduciary Net Position - Beginning</b>                                | 2,590,358           | 2,549,655          | 2,474,146          |
| <b>Plan Fiduciary Net Position - Ending</b>                                   | <u>\$ 2,726,750</u> | <u>\$2,590,358</u> | <u>\$2,549,655</u> |
| <b>Net Pension Liability - Ending</b>   | \$ 34,696           | \$ 113,898         | \$ (16,555)        |
| <br>Plan Fiduciary Net Position as a percentage of<br>Total Pension Liability | <br>98.74%          | <br>95.79%         | <br>100.65%        |
| <br>Covered employee payroll  | <br>\$ 834,020      | <br>\$ 798,211     | <br>\$ 820,209     |
| <br>Net Pension Liability as a percentage of<br>covered employee payroll      | <br>4.16%           | <br>14.27%         | <br>-2.02%         |

Note: Years will be added until there are 10 years of comparison

## SUPPLEMENTARY INFORMATION

**CITY OF GRAND SALINE, TEXAS  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

|  | <u>Municipal<br/>Court</u> | <u>Seizure<br/>Fund</u> | <u>Hotel<br/>Occupancy</u> | <u>Main<br/>Street</u> | <u>Capital<br/>Improvements</u> | <u>Volunteer<br/>Fire</u> | <u>Emergency<br/>Services</u> | <u>Total Nonmajor<br/>Governmental<br/>Funds</u> |
|--|----------------------------|-------------------------|----------------------------|------------------------|---------------------------------|---------------------------|-------------------------------|--|
| <b>ASSETS</b>                              |                            |                         |                            |                        |                                 |                           |                               |  |
| Cash and cash equivalents                  | \$ -                       | \$ -                    | \$ -                       | \$ 4,982               | \$ 39                           | \$ 127,298                | \$ 9,021                      | \$ 141,341                                       |
| Cash and cash equivalents-restricted       | 3,090                      | 40                      | 12,888                     | -                      | -                               | -                         | -                             | 16,018   |
| <b>Total Assets</b>                        | <u>3,090</u>               | <u>40</u>               | <u>12,888</u>              | <u>4,982</u>           | <u>39</u>                       | <u>127,298</u>            | <u>9,021</u>                  | <u>157,359</u>                                   |
| <b>LIABILITIES</b>                         |                            |                         |                            |                        |                                 |                           |                               |  |
| Accounts payable                           | -                          | -                       | -                          | -                      | -                               | -                         | 2,859                         | 2,859  |
| <b>Total Liabilities</b>                   | <u>-</u>                   | <u>-</u>                | <u>-</u>                   | <u>-</u>               | <u>-</u>                        | <u>-</u>                  | <u>2,859</u>                  | <u>2,859</u>                                     |
| <b>FUND BALANCES</b>                       |                            |                         |                            |                        |                                 |                           |                               |  |
| Restricted for:                            |                            |                         |                            |                        |                                 |                           |                               |  |
| Municipal court                            | 3,090                      | -                       | -                          | -                      | -                               | -                         | -                             | 3,090  |
| Hotel                                      | -                          | -                       | 12,888                     | -                      | -                               | -                         | -                             | 12,888   |
| Assigned:                                  |                            |                         |                            |                        |                                 |                           |                               |  |
| Police                                     | -                          | 40                      | -                          | -                      | -                               | -                         | -                             | 40   |
| Main street                                | -                          | -                       | -                          | 4,982                  | -                               | -                         | -                             | 4,982  |
| Capital improvements                       | -                          | -                       | -                          | -                      | 39                              | -                         | -                             | 39   |
| Fire                                       | -                          | -                       | -                          | -                      | -                               | 127,298                   | -                             | 127,298  |
| EMS  | -                          | -                       | -                          | -                      | -                               | -                         | 6,162                         | 6,162  |
| <b>Total Fund Balances</b>                 | <u>3,090</u>               | <u>40</u>               | <u>12,888</u>              | <u>4,982</u>           | <u>39</u>                       | <u>127,298</u>            | <u>6,162</u>                  | <u>154,499</u>                                   |
| <b>Total Liabilities and Fund Balances</b> | <u>\$ 3,090</u>            | <u>\$ 40</u>            | <u>\$ 12,888</u>           | <u>\$ 4,982</u>        | <u>\$ 39</u>                    | <u>\$ 127,298</u>         | <u>\$ 9,021</u>               | <u>\$ 157,359</u>                                |

**CITY OF GRAND SALINE, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|  | <b>Municipal<br/>Court</b> | <b>Seizure<br/>Fund</b> | <b>Hotel<br/>Occupancy</b> | <b>Main<br/>Street</b> | <b>Capital<br/>Improvements</b> | <b>Volunteer<br/>Fire</b> | <b>Emergency<br/>Services</b> | <b>Total Nonmajor<br/>Governmental<br/>Funds</b> |
|--|----------------------------|-------------------------|----------------------------|------------------------|---------------------------------|---------------------------|-------------------------------|--|
| <b>REVENUE</b>   |                            |                         |                            |                        |                                 |                           |                               |  |
| Hotel/motel taxes  | \$ -                       | \$ -                    | \$ 3,292                   | \$ -                   | \$ -                            | \$ -                      | \$ -                          | \$ 3,292   |
| Charge for services  | 3,089                      | -                       | -                          | 10,122                 | -                               | 95,000                    | 20,692                        | 128,902  |
| Grant revenue  | -                          | -                       | -                          | -                      | -                               | 48,695                    | -                             | 48,695   |
| Miscellaneous  | -                          | -                       | -                          | -                      | -                               | 5,500                     | -                             | 5,500  |
| <b>Total Revenues</b>  | <b>3,089</b>               | <b>-</b>                | <b>3,292</b>               | <b>10,122</b>          | <b>-</b>                        | <b>149,195</b>            | <b>20,692</b>                 | <b>186,390</b>                                   |
| <b>EXPENDITURES</b>  |                            |                         |                            |                        |                                 |                           |                               |  |
| Current operating:   |                            |                         |                            |                        |                                 |                           |                               |  |
| General government   | -                          | 541                     | 3,850                      | -                      | -                               | -                         | 175                           | 4,567  |
| Public safety  | -                          | -                       | -                          | -                      | -                               | 140,434                   | 138,025                       | 278,459  |
| Public services and operations                                   | 10,256                     | -                       | -                          | -                      | -                               | -                         | -                             | 10,256   |
| Main street  | -                          | -                       | -                          | 6,108                  | -                               | -                         | -                             | 6,108  |
| Capital outlay:  |                            |                         |                            |                        |                                 |                           |                               |  |
| Public safety  | -                          | -                       | -                          | -                      | -                               | -                         | -                             | -  |
| Public works   | -                          | -                       | -                          | -                      | -                               | -                         | -                             | -  |
| Public Services and Operations                                   | -                          | -                       | -                          | -                      | -                               | -                         | -                             | -  |
| <b>Total Expenditures</b>  | <b>10,256</b>              | <b>541</b>              | <b>3,850</b>               | <b>6,108</b>           | <b>-</b>                        | <b>140,434</b>            | <b>138,200</b>                | <b>299,390</b>                                   |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | <b>(7,167)</b>             | <b>(541)</b>            | <b>(558)</b>               | <b>4,014</b>           | <b>-</b>                        | <b>8,760</b>              | <b>(117,508)</b>              | <b>(113,000)</b>                                 |
| <b>Other Revenues and Financing Sources (uses)</b>               |                            |                         |                            |                        |                                 |                           |                               |  |
| Investment income  | 24                         | -                       | 40                         | 18                     | -                               | 577                       | 28                            | 686  |
| Intergovernmental  | -                          | -                       | -                          | -                      | -                               | -                         | 120,000                       | 120,000  |
| Transfers  | -                          | -                       | -                          | -                      | -                               | -                         | -                             | -  |
| <b>Total Other Financing Sources (uses)</b>                      | <b>24</b>                  | <b>-</b>                | <b>40</b>                  | <b>18</b>              | <b>-</b>                        | <b>577</b>                | <b>120,028</b>                | <b>120,686</b>                                   |
| <b>Net Change in Fund Balances</b>                               | <b>(7,143)</b>             | <b>(541)</b>            | <b>(519)</b>               | <b>4,031</b>           | <b>-</b>                        | <b>9,337</b>              | <b>2,520</b>                  | <b>7,686</b>                                     |
| <b>Fund Balances/Equity, October 1</b>                           | <b>10,233</b>              | <b>579</b>              | <b>13,407</b>              | <b>949</b>             | <b>39</b>                       | <b>117,964</b>            | <b>3,642</b>                  | <b>146,813</b>                                   |
| <b>Fund Balances/Equity, September 30</b>                        | <b>\$ 3,090</b>            | <b>\$ 38</b>            | <b>\$ 12,888</b>           | <b>\$ 4,980</b>        | <b>\$ 39</b>                    | <b>\$ 127,301</b>         | <b>\$ 6,162</b>               | <b>\$ 154,499</b>                                |

**CITY OF GRAND SALINE, TEXAS  
BALANCE SHEET - EDC  
SEPTEMBER 30, 2017**

|   | <b>EDC<br/>Fund</b> |
|---|---------------------|
| <b>ASSETS</b>                             |                     |
| Cash and investments                      | \$ 349,497          |
| Sales tax receivable                      | 25,924              |
| <b>Total Assets</b>                       | <u>375,421</u>      |
| <b>LIABILITIES</b>                        |                     |
| Accounts payable                          | -                   |
| <b>Total Liabilities</b>                  | <u>-</u>            |
| <b>FUND BALANCE</b>                       |                     |
| Reserved for:                             |                     |
| Unassigned                                | 375,421             |
| <b>Total Fund Balance</b>                 | <u>375,421</u>      |
| <b>Total Liabilities and Fund Balance</b> | <u>\$ 375,421</u>   |

**CITY OF GRAND SALINE, TEXAS  
RECONCILIATION OF THE EDC BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

**Total fund balance - EDC** **\$ 375,421**

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

Capital assets used in governmental activities are not financial resources and, 326,041  
therefore, are not reported in the funds.

**Net position of EDC - statement of net position** \$ 701,462

**CITY OF GRAND SALINE, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - EDC  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|  | <b>EDC<br/>Fund</b>      |
|--|--------------------------|
| <b>REVENUE</b>   |                          |
| Sales tax collected  | \$ 143,429               |
| Rental income  | 36,600                   |
| Miscellaneous revenue  | 8,147                    |
| <b>Total Revenues</b>  | <u>188,176</u>           |
| <b>EXPENDITURES</b>  |                          |
| Current operating:   |                          |
| Personal services  | 73,093                   |
| Maintenance & repair   | -                        |
| Contractual services   | 61,086                   |
| Miscellaneous expense  | 10,887                   |
| <b>Total Expenditures</b>  | <u>145,066</u>           |
| <b>Excess (deficiency) of revenues over (under)<br/>expenditures</b> | 43,110                   |
| <b>Other Revenues and Financing Sources (uses)</b>                   |                          |
| Investment income  | 907                      |
| <b>Total Other Financing Sources (uses)</b>                          | <u>907</u>               |
| <b>Net Change in Fund Balance</b>                                    | 44,017                   |
| <b>Fund Balance/Equity, October 1</b>                                | 331,404                  |
| <b>Fund Balance/Equity, September 30</b>                             | <u><u>\$ 375,421</u></u> |

**CITY OF GRAND SALINE, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF EDC  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Net change in fund balances - EDC** **\$ 44,017**

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

|  |          |
|--|----------|
| Governmental funds report capital outlays as expenditures. However, in the<br>statement of activities the cost of those assets is allocated over their<br>estimated useful lives and reported as depreciation expense. This is the<br>amount by which capital outlays exceeded depreciation in the current period. | (14,315) |
|--|----------|

|  |  |
|--|--|
| <b>Change in net position of EDC - statement of activities</b> | <div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 0 10px;">\$ 29,702</div> |
|--|--|

**CITY OF GRAND SALINE, TEXAS  
ECONOMIC DEVELOPMENT CORPORATION - STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|  | <b>Budgeted Amounts</b> |                   |                   |                   |
|--|-------------------------|-------------------|-------------------|-------------------|
|  | <b>Original</b>         | <b>Final</b>      | <b>Actual</b>     | <b>Difference</b> |
| <b>REVENUE</b>   |                         |                   |                   |                   |
| Sales tax collected  | \$ 120,000              | \$ 120,000        | \$ 143,429        | \$ 23,429         |
| Rental income  | 22,200                  | 22,200            | 36,600            | 14,400            |
| Miscellaneous revenue  | -                       | -                 | 8,146             | 8,146             |
| <b>Total Revenues</b>  | <b>142,200</b>          | <b>142,200</b>    | <b>188,175</b>    | <b>45,975</b>     |
| <b>EXPENDITURES</b>  |                         |                   |                   |                   |
| Current:   |                         |                   |                   |                   |
| Personal services  | 53,768                  | 53,768            | 73,093            | (19,325)          |
| Contractual services   | 50,500                  | 50,500            | 61,086            | (10,586)          |
| Miscellaneous  | 5,300                   | 5,300             | 10,886            | (5,586)           |
| Capital outlay   | 1,000                   | 1,000             | -                 | 1,000             |
| <b>Total Expenditures</b>  | <b>110,568</b>          | <b>110,568</b>    | <b>145,065</b>    | <b>(34,497)</b>   |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | <b>31,632</b>           | <b>31,632</b>     | <b>43,110</b>     | <b>11,478</b>     |
| <b>Other Revenues and Financing Sources (uses)</b>               |                         |                   |                   |                   |
| Investment income  | 860                     | 860               | 907               | 47                |
| <b>Total Other Financing Sources (uses)</b>                      | <b>860</b>              | <b>860</b>        | <b>907</b>        | <b>47</b>         |
| <b>Net change in Fund Balances</b>                               | <b>32,492</b>           | <b>32,492</b>     | <b>44,017</b>     | <b>11,525</b>     |
| <b>Fund Balances/Equity, October 1</b>                           | <b>331,404</b>          | <b>331,404</b>    | <b>331,404</b>    |                   |
| <b>Fund Balances/Equity, September 30</b>                        | <b>\$ 363,896</b>       | <b>\$ 363,896</b> | <b>\$ 375,421</b> |                   |