



FINANCIAL STATEMENT

FINANCIAL STATEMENT (As of September 30, 2016)

Table with 2 columns: Description and Amount. Includes Net Taxable Assessed Valuation, New Debt, Outstanding Debt, GO Debt payable from Ad Valorem Taxes, and Net Debt.

Net Debt Per Net Taxable Assessed Valuation - 2.45%
Net Debt Per Sq mile - \$4,881,688.21
Net Debt Per Capita - \$2,190.22

Net Taxable Assessed Valuation Per Capita - \$89,474.73

Bureau of Census Pop: 2000 - 2,040
Bureau of Census Pop: 2010 - 4,910
2017 Estimated Population - 5,483
Area: 2.46 Sq mile

PAYMENT RECORD

Never defaulted.

TAX DATA

Table with 6 columns: Tax Year, A.V., Tax Rate, Adjusted Levy, % Collections Total, Year Ended. Shows data from 2011 to 2017.

Table with 5 columns: Description, 2017, 2016, 2015, 2014. Shows Tax Rate Distribution for Operations and I&S.

Tax Rate Limitation: Article XI, Section 4 of Texas Constitution, applicable to cities of 5,000 or less: \$1.50 per \$100 assessed valuation for all city purposes.

SALES TAX

Municipal Sales Tax: The City has adopted the provisions of Municipal Sales and Use Tax Act V.T.C.A. Tax Code, Chapter 321, which grants the City power to impose and levy a 1% Local Sales and Use Tax within the City...

Table with 5 columns: Calendar Year, Rate, Total Collected, % of Ad Val Tax Levy, Equiv of Ad Val Tax Rate.

Table with 5 columns: Year, Rate, Amount, Rate, Amount. Shows interest rate and amount for years 2014-2017.

DETAILS OF OUTSTANDING DEBT

Details of Limited Tax Debt (Outstanding 9/30/2016)

Comb Tax & Ltd Rev C/O Ser 2008

Tax Treatment: Bank Qualified
Original Issue Amount \$5,000,000.00
Dated Date: 01/01/2008
Sale Date: 12/18/2007
Delivery Date: 01/22/2008
Sale Type: Private Placement
Record Date: OTHER
Bond Form: FR
Denomination \$5,000
Interest pays Semi-Annually: 02/01, 08/01
1st Coupon Date: 08/01/2008

Paying Agent: Bank of America, N.A., Dallas, TX
Bond Counsel: McCall Parkhurst & Horton L.L.P.
Financial Advisor: Harrison Securities Inc., Austin, TX
Purchaser: Bank of America, N.A.

Security : Limited Tax and a Subordinate lien on the Net revenues of the Water & Sewer system not to exceed \$1,000

Use of Proceeds: Land Purchase, Municipal Bldg.

Table with 4 columns: Maturity, Amount, Coupon, Orig Reoffering Price/Yield. Lists bond maturities from 2017 to 2027.

Call Option: Bonds maturing on 08/01/2009 to 08/01/2027 callable in whole or in part on any date @ par plus the Prepayment Fee.

Comb Tax & Ltd Rev C/O Ser 2010

Tax Treatment: Bank Qualified
Original Issue Amount \$750,000.00
Dated Date: 08/01/2010
Sale Date: 07/13/2010
Delivery Date: 08/17/2010
Sale Type: Private Placement
Record Date: OTHER
Bond Form: FR
Denomination \$750,000
Interest pays Semi-Annually: 08/01, 02/01
1st Coupon Date: 02/01/2011

Paying Agent: TIB-The Independent Bankers Bank, Farmers Branch, TX
Bond Counsel: McCall Parkhurst & Horton L.L.P.
Financial Advisor: Harrison Securities Inc., Lockhart, TX
Purchaser: TIB-The Independent Bankers Bank, Dallas, TX

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Security : Limited Tax and a Subordinate lien on the Surplus revenues of the Waterworks system not to exceed \$1,000

Use of Proceeds: Public Improvements.

Table with columns: Maturity, Amount, Coupon, Orig Reoffering Price/Yield. Rows include dates from 08/01/2017 to 08/01/2028 with amounts ranging from 35,000.00 to 65,000.00 and coupons of 4.2500%.

(a) The interest rate will be reset on August 1, 2015, August 1, 2020 and then August 1, 2025 to 135% of the then current 5-year Constant Maturity Treasury Rate as specified in the authorizing resolution.

Call Option: Bonds maturing on 08/01/2016 to 08/01/2028 callable in whole or in part on any date beginning 08/01/2015 @ par.

GO Ref Bds Ser 2014

Tax Treatment: Bank Qualified
Original Issue Amount \$5,725,000.00
Dated Date: 07/01/2014
Sale Date: 07/08/2014
Delivery Date: 08/01/2014
Sale Type: Private Placement
Record Date: MSRB
Bond Form: FR
Denomination \$5,725,000
Interest pays Semi-Annually: 08/01, 02/01
1st Coupon Date: 02/01/2015

Paying Agent: Southside Bank, Tyler, TX
Bond Counsel: McGuireWoods L.L.P.
Financial Advisor: Government Capital Securities Corporation, Southlake, TX
Purchaser: Southside Bank, Tyler, TX

Use of Proceeds: Refunding.

Refunding Notes: This bond refunded maturities from the following issues: Comb Tax & Ltd Rev C/O Ser 2004

Table with columns: Refunded Amount, Mat Date, Coupon, Price, Sched Call. Rows show amounts from 970,000.00 to 1,950,000.00 with various maturity dates and coupon rates.

Table with columns: Maturity, Amount, Coupon, Orig Reoffering Price/Yield. Rows include dates from 08/01/2017 to 08/01/2024 with amounts ranging from 221,000.00 to 277,000.00 and coupons of 3.2500%.

Table with columns: Maturity, Amount, Coupon, Price/Yield. Rows include dates from 08/01/2025 to 08/01/2034 with amounts ranging from 286,000.00 to 381,000.00 and coupons of 3.2500%.

Call Option: Bonds maturing on 08/01/2025 to 08/01/2034 callable in whole or in part on any date beginning 02/01/2025 @ par.

GO Bds Ser 2018

Tax Treatment: Bank Qualified
Original Issue Amount \$3,000,000.00
Dated Date: 03/21/2018
Sale Date: 02/27/2018
Delivery Date: 03/21/2018
Sale Type: Private Placement
Record Date: OTHER
Bond Form: FR
Denomination \$3,000,000
Interest pays Semi-Annually: 08/01, 02/01
1st Coupon Date: 02/01/2019

Paying Agent: Broadway National Bank, Austin, TX
Bond Counsel: McCall, Parkhurst & Horton L.L.P., Austin, TX
Purchaser: Broadway National Bank

Use of Proceeds: Streets.

Table with columns: Maturity, Amount, Coupon, Orig Reoffering Price/Yield. Rows include dates from 08/01/2019 to 08/01/2027 with amounts ranging from 275,000.00 to 375,000.00 and coupons from 2.0600% to 3.0900%.

Call Option: Bonds maturing on 08/01/2019 to 08/01/2027 callable in whole or in part on any date @ par.

Grand Total =====> \$12,438,000.00

Bond Debt Service

Table with columns: Period Ending, Principal, Interest, Debt Service. Rows show data from 09/30/17 to 09/30/26 with principal amounts from 511,000.00 to 1,100,000.00 and interest from 356,617.00 to 163,933.50.

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09/30/27	1,140,000.00	123,747.50	1,263,747.50
09/30/28	380,000.00	81,737.50	461,737.50
09/30/29	325,000.00	68,737.50	393,737.50
09/30/30	336,000.00	58,175.00	394,175.00
09/30/31	346,000.00	47,255.00	393,255.00
09/30/32	358,000.00	36,010.00	394,010.00
09/30/33	369,000.00	24,375.00	393,375.00
09/30/34	381,000.00	12,382.50	393,382.50
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	12,438,000.00	3,458,127.82	15,896,127.82
=====			

Debt Amortization Rates

Period Ending	Principal	% of Principal Retired
09/30/2017	511,000.00	04.11%
09/30/2018	534,000.00	08.40%
09/30/2019	831,000.00	15.08%
09/30/2020	889,000.00	22.23%
09/30/2021	922,000.00	29.64%
09/30/2022	950,000.00	37.28%
09/30/2023	988,000.00	45.22%
09/30/2024	1,022,000.00	53.44%
09/30/2025	1,056,000.00	61.93%
09/30/2026	1,100,000.00	70.78%
09/30/2027	1,140,000.00	79.94%
09/30/2028	380,000.00	83.00%
09/30/2029	325,000.00	85.61%
09/30/2030	336,000.00	88.31%
09/30/2031	346,000.00	91.09%
09/30/2032	358,000.00	93.97%
09/30/2033	369,000.00	96.94%
09/30/2034	381,000.00	100.00%

DEBT SERVICE FUND MANAGEMENT INDEX

G.O. Debt Service Requirements for fiscal year-ending 09/30/2017		\$867,617
I&S Fds all G.O. issues 09/30/2016	\$429,047	
2016 I&S Fund Tax Levy @ 90%	919,561	

OPERATING STATEMENT

WATERWORKS SYSTEM OPERATING EXPERIENCE The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, and debt service payments and expenditures identified as capital.

Statements include an undeterminable amount of garbage expense.

	Fiscal Year Ended			
	09-30-2016	09-30-2015	09-30-2014	09-30-2013
Revenues:				
Water Revenue	\$1,622,435	\$1,584,640	\$1,570,637	\$1,549,537
Garbage	0	0	33	106,416
Other	66,910	276,472	27,500	23,083
	-----	-----	-----	-----
Total Revenues	\$1,689,345	\$1,861,112	\$1,598,170	\$1,679,036
Expenditures	\$1,112,078	\$1,093,182	\$1,050,128	\$900,405
Available For Debt Service	\$577,267	\$767,930	\$548,042	\$778,631

SYSTEM DESCRIPTION AND PERTINENT CONTRACTS

WATER SUPPLY Two wells. In addition, untreated water is supplied to the City by the Lower Colorado River Authority under a 40 year renewable contract. The City owns and operates its own water treatment facility.

RATES AND FEES

Water Rates

Old Rates (Effective as of January 28, 2011)			
	Gallons	Inside City	Outside City
First	2,000	\$33.66(Min)*	\$55.92(Min)*
Next	3,000	2.50/M	3.06/M
Next	3,000	3.06/M	3.62/M
Next	4,000	3.62/M	4.17/M
Over	12,000	4.17/M	5.29/M

\* Based on 3/4" meter.

New Rates (Effective as of October 1, 2014)			
	Gallons	Inside City	Outside City
First	2,000	\$36.86(Min)*	\$61.23(Min)*
Next	3,000	2.75/M	3.35/M
Next	3,000	3.49/M	4.16/M
Next	4,000	4.15/M	4.82/M
Next	4,000	4.75/M	6.12/M
Over	16,000	5.79/M	7.92/M

\* Based on 3/4" meter.

AUTHORIZED BUT UNISSUED

GENERAL OBLIGATION BONDS AUTHORIZED BUT UNISSUED None

PENSION FUND LIABILITY

All qualified employees of the City are members of the Texas Municipal Retirement System. The City employees also participate in the U.S. Social Security program.

Changes in Texas Municipal Retirement System (TMRS) Actuarial Method and Plan Assumptions

In early 2007, TMRS informed each of the member cities that the current actuarial assumptions did not take into account updated service credits or cost of living increases which are granted to retirees. These benefits, which some cities adopted, have been historically funded on a pay-as-you-go basis. This has led to regular increases in member cities' rates and a decrease in the overall funding of the retirement system. TMRS announced that it intended to study the impact of these benefit components and make potential changes in the way benefits are being funded.

After careful deliberation, the TMRS board approved several changes at its November and December meetings to the actuarial methods and plan assumptions. The board changed the actuarial method from unit credit to projected unit credit. Projected unit credit will allow the actuaries to consider the future financial impact of updated service credits and cost of living increases, and these benefits will begin to be pre-funded instead of funded on a pay-as-you-go basis. To mitigate the impact of this change, the board approved an eight year transition period. During this time, cities will be able to phase in the higher contribution rates instead of being required to fund these new rates immediately. Also, the board changed the amortization period from a 25-year open period to a 30-year closed period. Under a closed amortization period, contribution rates are higher, but a greater percentage of the unfunded balance is paid off each year. Finally, the board approved changes to the investment policy. TMRS has historically invested solely in fixed income investments. The board authorized the selection of an investment advisor to begin shifting a portion of investments into equity securities as a way to diversify the portfolio's holdings and earn higher returns than could be obtained with fixed

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income investments.

Required Contribution Rates (Percentage of gross covered salary)

Table with 3 columns: Category, 2018, 2017. Rows: Employee (5.00%, 5.00%), City (5.26%, 5.16%(a))

(a) The City has elected a phase-in rate. See Explanation in paragraphs above. The City's Grand Total Rate without Maximum or Phase-in for 2017 was 5.23%.

Table with 3 columns: Description, 12/31/2016, 12/31/2015. Rows: Actuarial Valuation as of Assets, Accrued Liabilities, (Unfunded)/Overfunded Liab., Funded Ratio, Annual Covered Payroll, (Unfunded)/Overfunded Liability as a % of Covered Payroll, Pension Liability - Beginning, Pension Liability - Ending (a), Contributions Employer, Contributions Employee, Plan Fiduciary Net Position Beg, Plan Fiduciary Net Position End (b), Net Pension Liability (a) - (b), Plan Fiduciary Net Position as a % of Total Pension Liability, Covered Employee Payroll, Net Pension Liability as a % of Covered Payroll, Membership Data (Inactive employees, Active employees), Total

Source: Texas Municipal Retirement System

SUPPLEMENTAL DEATH BENEFIT PLAN 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 death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary; retired employees are insured for \$7,500; this coverage is an "other postemployment benefit."

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City's contributions to the TMRS SDBF for the years ending September 30, 2016, 2015, and 2014, were \$3,330, \$2,980, and \$2,661, respectively, which equaled the required contributions each year.

Source: City of Granite Shoals 9/30/2016 Annual Financial Report.

NON FUNDED DEBT

NON-FUNDED DEBT PAYABLE (As of September 30, 2016)

The City reports additional debt in the principal amount of \$650,929 under Business Activities and \$555,284 under Govt Activities as follows:

Table with 5 columns: Description, Amount Outstanding, Int Rate, Next Year's Requirements, Reported Under. Rows: Pension Liability\*, Compensated Absences Note, Pension Liability\*, Compensated Absences, Capital Lease Note

\* See PENSION FUND LIABILITY section for details of this obligation.

OVERLAPPING DEBT

ESTIMATED OVERLAPPING DEBT STATEMENT

Table with 5 columns: Taxing Body, Debt Amount, As Of, %Ovlp, Ovlp Amt. Rows: Burnet Co, Marble Falls ISD, Total Overlapping Debt, Granite Shoals, City of, Total Direct and Overlapping Debt, Total Direct and Overlapping Debt % of A.V., Total Direct and Overlapping Debt per Capita

\* Gross Debt

MATERIAL EVENTS AND OTHER FILINGS

This section contains excerpt(s) from or a summary of filings made by or on behalf of the issuer. The information below is an extract or summary only. The complete filing should be viewed on the Texas MAC website (www.mactexas.com) or the Electronic Municipal Market Access (EMMA) System of the Municipal Securities Rulemaking Board (https://emma.msrb.org/). See TMR disclaimer at the bottom of this page.

03/12/2019 - S&P Rating Report: Underlying Rating Upgrade to AA- from A

"S&P Global Ratings raised its rating on Granite Shoals, Texas' general obligation (GO) debt two notches to 'AA-' from 'A'. At the same time, S&P Global Ratings removed the rating from CreditWatch with developing implications, where it was placed Dec. 18, 2018. The outlook is stable.

"The upgrade is based on the improvement in Granite Shoals' economic profile from weak to adequate in addition to improvement in the city's budgetary flexibility to a relatively low fund balance of \$810,000 or very strong 28% of expenditures in fiscal 2017 from a nominally low \$232,000 or a strong 7% in fiscal 2016," said S&P Global Ratings credit analyst Jennifer Garza."

06/16/2016 - Standard & Poor's Underlying: Upgrade on 06/06/2016

"S&P Global Ratings raised its rating on Granite Shoals, Texas' combination tax and revenue certificates of obligation two notches to 'A' from 'BBB+'. The outlook is stable. This rating action reflects our opinion of the city's



recently improved financial performance and position and our expectation that the city will likely maintain its finances over the next several fiscal years."

05/28/2015 - Standard & Poor's Underlying: Upgrade on 05/22/2015

"Standard & Poor's Ratings Services raised its rating on Granite Shoals, Texas' series 2008 combination tax and revenue certificates of obligation two notches to 'BBB+' from 'BBB-'. The outlook is positive. This action reflects our view of recent improvement in the city's financial performance and position, an updated assessment of financial policies and practices that have facilitated financial improvement, and the possibility that we could raise the rating again if sustained improvement continues."

06/18/2014 - S&P Underlying Rating Upgrade

"On June 10, 2014, Standard & Poor's upgraded the rating on the City's existing certificates of obligation and general obligation debt from 'BB+' to 'BBB-'."

ECONOMIC BACKGROUND

The City of Granite Shoals is a residential community on Lake Lyndon B. Johnson located approximately 6 miles west of Marble Falls and 50 miles west of the City of Austin, the State's capitol. The population for 2010 was 4,940, an increase of 140.69% since 2000. The area is popular for lake cottages. Residents commute to Marble Falls for employment. A granite quarry is located nearby.

COUNTY CHARACTERISTICS: Burnet County is a central Texas County traversed by U.S. Highways 183 and 281, State Highways 29 and 71 and six farm-to-market roads. Lake LBJ, Lake Buchanan, Lake Marble Falls, and a portion of Lake Travis make the county a popular water sports recreational area.

COUNTY SEAT: Burnet

2010 census: 42,750 increasing 25.2% since 2000
2000 census: 34,147 increasing 50.6% since 1990
1990 census: 22,677

ECONOMIC BASE

Mineral: limestone and granite.

Industry: tourism, stone processing and hunting leases.

Agricultural: hay, grapes, goats and cattle.

PARKS (Texas Parks & Wildlife)

Table with 3 columns: Year, Description, Volume. Lists visitor counts for Inks Lake State Park and Longhorn Caverns State Park from 2014 to 2016.

RETAIL SALES & EFFECTIVE BUYING INCOME (The Nielsen Company)

Table with 4 columns: Year, Retail Sales, Effective Buying Income (EBI), County Median Household Income, State Median Household Income, % of Households with EBI below \$25K, % of Households with EBI above \$25K.

EMPLOYMENT DATA (Texas Workforce Commission)

Table with 6 columns: Year (2017, 2016, 2015), Employed, Earnings. Shows quarterly employment and earnings data.

TOP TAXPAYERS

Table with 3 columns: Principal Taxpayers, 2017 A.V., % of A.V. Lists top 10 taxpayers including John Howard & Paula Finch Hollowell Residential.

FINANCE CONNECTED OFFICIALS

Mayor
Carl J. Brugger
2221 North Phillips Ranch Road
Granite Shoals, TX 78654
Phone: 830-598-2424 Ext: 315
Fax: 830-598-6530
mayor@graniteshoals.org

Acting City Manager
Peggy Smith
2221 North Phillips Ranch Road
Granite Shoals, TX 78654
Phone: 830-598-2424 Ext: 309
Fax: 830-598-6530
gspw@graniteshoals.org

City Secretary
Elaine Simpson
2221 North Phillips Ranch Road
Granite Shoals, TX 78654
Phone: 830-598-2424 Ext: 303
Fax: 830-598-6530
citysecretary@graniteshoals.org

Tax Assessor/Collector
Sheri Frazier
Burnet County Tax Office
1701 E Polk St.
Ste. 96
Burnet, TX 78611-3189
Phone: 512-756-5491
Fax: 512-756-1129
sfrazier@burnetcountytexas.org

Chief Appraiser
Stan Hemphill
Burnet County Appraisal District
220 South Pierce
Burnet, TX 78611-0908
Phone: 512-756-8291

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**Granite Shoals, City of**

**(General Obligation Debt)**

Burnet County

**Texas Municipal Reports**

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