



# CITY OF **GRANITE SHOALS, TX**

2221 N. PHILLIPS RANCH ROAD | GRANITE SHOALS, TX 78654

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# 2024

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## ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED  
SEPTEMBER 30, 2024



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*ANNUAL FINANCIAL REPORT*

of the

**City of Granite Shoals, Texas**

For the Year Ended  
September 30, 2024

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# City of Granite Shoals, Texas

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September 30, 2024

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Statements**

*Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Granite Shoals, Texas (the "City") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Granite Shoals, Texas, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Basis for Opinions*

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

*Responsibilities of Management for the Financial Statements*

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

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with GAAS, we:

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

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

### *Emphasis of Matter*

As discussed in Note V.E. to the financial statements, due to changes in financial reporting, corrections and reallocations to fund balances, accrued receivables and liabilities in the prior year, the City restated its beginning net position/fund balance within governmental activities, business-type activities, the general fund, the street maintenance sales tax fund, nonmajor governmental funds, the water fund, the solid waste fund, and the nonmajor proprietary funds. Our opinion is not modified with respect to these matters.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Supplementary Information***

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

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

*BrooksWatson & Co.*

BrooksWatson & Co.  
Certified Public Accountants  
Houston, Texas  
June 20, 2025

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

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# **City of Granite Shoals, Texas**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**September 30, 2024**

As management of the City of Granite Shoals, Texas (the “City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information contained in this report.

### **Financial Highlights**

- The City's total combined net position was \$21,123,046 at September 30, 2024. Of this, \$6,571,428 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$3,671,452, a decrease of \$301,929 from the prior fiscal year; this includes a decrease of \$24,061 in the general fund, an increase of \$76,083 in the debt service fund, a decrease of \$578,446 in the street maintenance sales tax fund, and an increase of \$224,495 in nonmajor governmental funds.
- As of the end of the year, the unassigned fund balance of the general fund was \$1,239,031 or 20% of total general fund expenditures.
- The City had an overall increase in net position of \$2,738,749.

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

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

### **Government-Wide Statements**

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

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

# City of Granite Shoals, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

## FUND FINANCIAL STATEMENTS

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

### Governmental Funds

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

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

The City maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the street maintenance sales tax fund which are considered to be major funds. Data from the other governmental funds are

# **City of Granite Shoals, Texas**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued***

**September 30, 2024**

combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a separate section of the report.

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

### **Proprietary Funds**

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

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

### **Notes to Financial Statements**

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

### **Other Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Granite Shoals, assets exceed liabilities by \$21,123,046 as of September 30, 2024, in the primary government.

**City of Granite Shoals, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2024**

The largest portion of the City's net position, \$13,002,334, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

The following table reflects the condensed Statement of Net Position:

	2024			2023		
	Governmental		Business-Type	Governmental		Business-Type
	Activities	Activities	Total	Activities	Activities	Total
Current and other assets	\$ 4,808,148	\$ 6,823,701	\$ 11,631,849	\$ 4,508,209	\$ 7,078,842	\$ 11,587,051
Long-term assets	10,208,807	15,480,316	25,689,123	9,429,598	14,853,446	24,283,044
<b>Total Assets</b>	<b>15,016,955</b>	<b>22,304,017</b>	<b>37,320,972</b>	<b>13,937,807</b>	<b>21,932,288</b>	<b>35,870,095</b>
 <b>Deferred Outflows of Resources</b>	 178,202	 26,858	 205,060	 259,062	 49,345	 308,407
Other liabilities	1,783,772	1,523,201	3,306,973	1,266,366	1,771,490	3,037,856
Long-term liabilities	2,825,629	10,025,234	12,850,863	3,645,708	10,872,894	14,518,602
<b>Total Liabilities</b>	<b>4,609,401</b>	<b>11,548,435</b>	<b>16,157,836</b>	<b>4,912,074</b>	<b>12,644,384</b>	<b>17,556,458</b>
 <b>Deferred Inflows of Resources</b>	 219,518	 25,632	 245,150	 232,761	 30,769	 263,530
 Net Position:						
Net investment in capital assets	5,947,884	7,054,450	13,002,334	5,182,370	5,642,336	10,824,706
Restricted	1,536,022	13,262	1,549,284	1,785,060	630,244	2,415,304
Unrestricted	2,882,332	3,689,096	6,571,428	2,084,604	3,033,900	5,118,504
<b>Total Net Position</b>	<b>\$ 10,366,238</b>	<b>\$ 10,756,808</b>	<b>\$ 21,123,046</b>	<b>\$ 9,052,034</b>	<b>\$ 9,306,480</b>	<b>\$ 18,358,514</b>

**City of Granite Shoals, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2024**

**Statement of Activities:**

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

	For the Year Ended September 30, 2024			For the Year Ended September 30, 2023		
	Governmental Activities		Total	Governmental Activities		Total
	Business-Type Activities	Primary Government	Business-Type Activities	Primary Government		
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 412,539	\$ 3,313,155	\$ 3,725,694	\$ 392,777	\$ 3,055,748	\$ 3,448,525
Grants and contributions	480,613	163,946	644,559	367,040	-	367,040
General revenues:						
Property taxes	5,972,407	-	5,972,407	5,172,218	-	5,172,218
Sales taxes	643,320	-	643,320	605,629	-	605,629
Franchise and local taxes	298,921	-	298,921	266,251	-	266,251
Investment income	601,105	32,470	633,575	636,473	-	636,473
Other revenues	317,500	43,339	360,839	165,937	114,635	280,572
<b>Total Revenues</b>	<b>8,726,405</b>	<b>3,552,910</b>	<b>12,279,315</b>	<b>7,606,325</b>	<b>3,170,383</b>	<b>10,776,708</b>
<b>Expenses</b>						
General government	1,771,972	-	1,771,972	1,261,819	-	1,261,819
Public safety	3,306,171	-	3,306,171	3,163,285	-	3,163,285
Streets and parks	1,087,169	-	1,087,169	1,066,413	-	1,066,413
Tourism	46,326	-	46,326	137,174	-	137,174
Interest and fiscal charges	114,926	308,003	422,929	134,868	347,056	481,924
Utility	-	2,905,999	2,905,999	-	2,838,409	2,838,409
<b>Total Expenses</b>	<b>6,326,564</b>	<b>3,214,002</b>	<b>9,540,566</b>	<b>5,763,559</b>	<b>3,185,465</b>	<b>8,949,024</b>
<b>Change in Net Position</b>						
<b>Before Transfers</b>	2,399,841	338,908	2,738,749	1,842,766	(15,082)	1,827,684
Transfers	(1,168,838)	1,168,838	-	(194,947)	194,947	-
<b>Total</b>	<b>(1,168,838)</b>	<b>1,168,838</b>	<b>-</b>	<b>(194,947)</b>	<b>194,947</b>	<b>-</b>
<b>Change in Net Position</b>	1,231,003	1,507,746	2,738,749	1,647,819	179,865	1,827,684
Beginning Net Position, as previously reported	9,052,034	9,306,480	18,358,514	7,404,215	9,126,615	16,530,830
Fund reallocations	57,418	(57,418)	-	-	-	-
Error corrections	25,783	-	25,783	-	-	-
Beginning Net Position, as adjusted	9,135,235	9,249,062	18,384,297	7,404,215	9,126,615	16,530,830
<b>Ending Net Position</b>	<b>\$ 10,366,238</b>	<b>\$ 10,756,808</b>	<b>\$ 21,123,046</b>	<b>\$ 9,052,034</b>	<b>\$ 9,306,480</b>	<b>\$ 18,358,514</b>

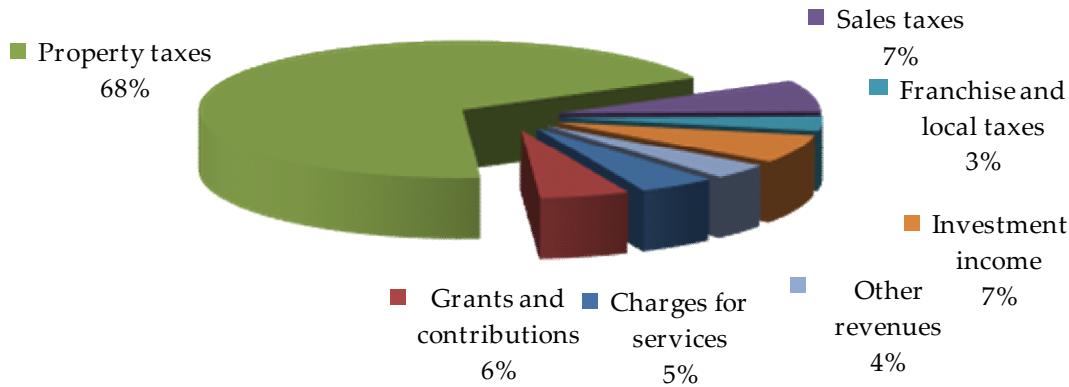
# City of Granite Shoals, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

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

### Governmental Activities - Revenues



For the year ended September 30, 2024, revenues from governmental activities totaled \$8,726,405. Property tax revenues are the City's largest general revenue sources. Grants and contributions increased \$113,573, or 31% due to an increase in existing fire contract grant fees and the addition of a new fire contract grant in the current year. Property tax increased by \$800,189, or 15%, when compared to due to an increase in overall assessed property values offset by a reduction in the property tax rate. Sales taxes increased by \$37,691, or 6%. This is a result of continued growth in local purchases. Charges for services increased by \$19,762, or 5%, primarily due to greater court fine collections in the current year. Franchise taxes increased \$32,670, or 12%, primarily due to increased activity within the City. Investment income decreased by \$35,368, or 6%, primarily to a reduction in interest-bearing accounts, offset by the realization of greater interest rates in the current year. Other revenues increased \$151,563, or 91%, primarily due to a vehicle insurance claim reimbursement, and nonrecurring proceeds from sale of assets.

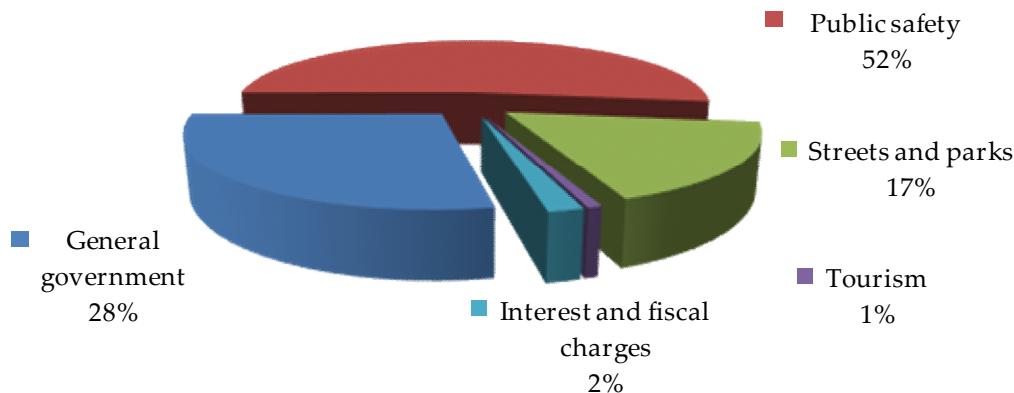
# City of Granite Shoals, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

This graph shows the governmental function expenses of the City:

### Governmental Activities - Expenses



For the year ended September 30, 2024, expenses for governmental activities totaled \$6,326,564. This represents an increase of \$563,005, or 10%, from the prior year. The City's largest functional expense is public safety of \$3,306,171, which increased by \$142,886, or 5%, from the prior year. The increase was primarily related to the increase in personnel costs as a result of new employees. General government increased by \$510,153, or 40%, primarily due to an increase in personnel costs as a result of new employees. Tourism expenses decreased by \$90,848, or 66%, due to nonrecurring cost of new local events hosted in the prior year to draw visitors to the City. Interest and fiscal charges decreased \$19,942, or 15%, primarily due to outstanding long-term debt approaching maturity. All other expenses remained relatively consistent with the previous year.

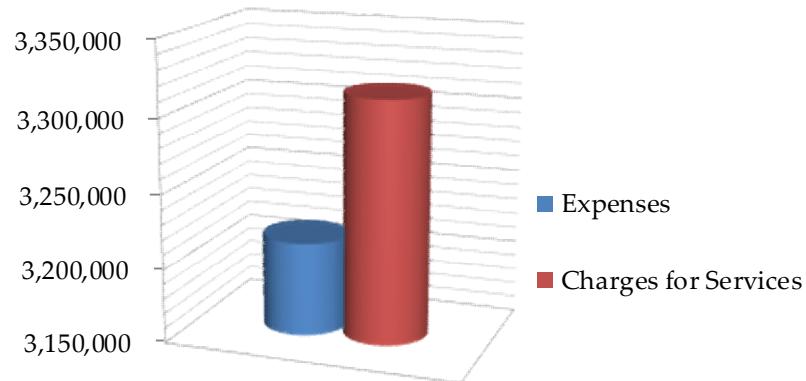
# City of Granite Shoals, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

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

### Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2024, charges for services by business-type activities totaled \$3,313,155, an increase of \$257,407, or 8%, from the previous year. This change is primarily due to an increase in water consumption compared to the previous year, and an increase in solid waste rates. Grants and contributions increased \$163,946, or 100%, as a result of Community Development Block Grant (CDBG) reimbursements received in the current year. Other revenue decreased \$71,296, or 62%, due to a reduction in credit card convenience fees and a decline in sale of surplus compared to the previous year.

Total expenses increased by \$28,537 or 1% during the year, which is considered minimal. Interest and fiscal charges decreased by \$39,053, or 11%, primarily due to outstanding long-term debt approaching maturity.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

# **City of Granite Shoals, Texas**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued***

**September 30, 2024**

As of the end of the year the general fund reflected a total fund balance of \$1,260,263, of which \$21,232 is nonspendable and the remaining \$1,239,031 is unassigned. The decrease in fund balance of \$24,061 is primarily a result of transfers in from the water fund in the previous year.

The debt service fund had an ending fund balance of \$1,038,979 at year end, an increase of \$76,083 from the prior year. The increase was due to property tax revenues exceeding debt service payments and other financing uses. In addition to transfers out, total governmental principal and interest payments made during the year were \$732,547 and \$123,303, respectively.

The street maintenance sales tax fund had an ending fund balance of \$134,719 at year end, a decrease of \$578,446 from the prior year. The decrease was due to the utilization of funds for street projects.

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

The Water fund had an ending net position of \$8,706,334, an increase of \$1,506,890. The increase is primarily due to transfers received from the debt service fund and nonrecurring intergovernmental contributions from CDBG grants received from the State of Texas Department of Agriculture during the year.

The Solid Waste fund had an ending net position of \$449,891, an increase of \$8,175. The increase is primarily due to revenues exceeding expenditures during the year.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

There was a total positive revenue variance of \$64,410, in addition to a positive expenditure variance of \$292,101 for the year. Other financing sources had an overall negative budget variance of \$1,096,581, primarily due to transfers in initially budgeted but ultimately not necessary. There was a total negative net budget variance of \$740,070. General fund expenditures were within appropriations at the legal level of control by \$292,101.

The original general fund budget deficit of \$1,165,111 was amended during the year to a final budgeted surplus of \$716,009. Significant amendments include an increase in property taxes of \$144,589, sales tax revenues of \$75,000, and investment income of \$550,000. These budgeted revenue variances were offset with increases in budgeted expenditures in the amount of \$31,000. In addition, transfers in were increased by \$1,112,000 and transfers out were increased by \$114,827. No other reclassifications and amendments were made.

## **CAPITAL ASSETS**

As of the end of the year, the City's governmental activities funds had invested \$10,096,476 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the

# **City of Granite Shoals, Texas**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued***

**September 30, 2024**

governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$15,467,054 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Kings Circle/Hillway project totaling \$811,238.
- Purchase of new police vehicles totaling \$269,291.
- Purchase of new street vehicles and equipment totaling \$136,519.
- Purchase of new parks equipment totaling \$92,902.
- Purchase of (2) park ADA and Handicap restrooms totaling \$31,143.
- Water infrastructure development and improvements totaling \$1,305,264.
- Water department vehicles totaling \$123,618.

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

## **LONG-TERM DEBT**

At the end of the current year, the City had total long-term debt outstanding of \$14,323,951, consisting of General Obligation Refunding Bonds of \$10,601,000, Certificates of Obligation of \$2,700,000, notes payable of \$542,084, subscription liability of \$20,396, and bond premiums of \$460,471. During the year, the City made governmental and business-type payments on the long-term debt of \$732,547 and \$790,136, respectively. More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

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

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

## *FINANCIAL STATEMENTS*

**City of Granite Shoals, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
September 30, 2024

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 4,437,833	\$ 5,613,425	\$ 10,051,258
Investments	110,926	-	110,926
Restricted cash	-	423,759	423,759
Receivables, net	361,308	638,960	1,000,268
Lease receivable - current	24,406	-	24,406
Internal balances	(147,557)	147,557	-
Prepaid items	21,232	-	21,232
	<b>Total Current Assets</b>	<b>4,808,148</b>	<b>6,823,701</b>
	<b>11,631,849</b>		
Noncurrent assets:			
Net pension asset	88,751	13,262	102,013
Capital assets:			
Non-depreciable	2,931,793	578,922	3,510,715
Net depreciable capital assets	7,164,683	14,888,132	22,052,815
Lease receivable - noncurrent	23,580	-	23,580
	<b>Total Noncurrent Assets</b>	<b>10,208,807</b>	<b>15,480,316</b>
	<b>25,689,123</b>		
	<b>Total Assets</b>	<b>15,016,955</b>	<b>22,304,017</b>
	<b>37,320,972</b>		
<b><u>Deferred Outflows of Resources</u></b>			
Pension - TMRS	177,146	26,698	203,844
OPEB - TMRS	1,056	160	1,216
	<b>Total Deferred Outflows of Resources</b>	<b>178,202</b>	<b>26,858</b>
	<b>205,060</b>		

**City of Granite Shoals, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**September 30, 2024**

	<b>Primary Government</b>			
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
			<b>Total</b>	
<b><u>Liabilities</u></b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 863,311	\$ 170,711	\$ 1,034,022	
Customer deposits	31,675	423,759	455,434	
Accrued interest payable	15,942	94,990	110,932	
Long-term debt - current	760,874	804,310	1,565,184	
Compensated absences - current	111,970	29,431	141,401	
<b>Total Current Liabilities</b>	<b>1,783,772</b>	<b>1,523,201</b>	<b>3,306,973</b>	
Noncurrent liabilities:				
Long-term debt - noncurrent	2,746,733	10,012,034	12,758,767	
Compensated absences - noncurrent	12,442	3,270	15,712	
OPEB liability	66,454	9,930	76,384	
<b>Total Noncurrent Liabilities</b>	<b>2,825,629</b>	<b>10,025,234</b>	<b>12,850,863</b>	
<b>Total Liabilities</b>	<b>4,609,401</b>	<b>11,548,435</b>	<b>16,157,836</b>	
<b><u>Deferred Inflows of Resources</u></b>				
Pension - TMRS	152,642	22,809	175,451	
OPEB - TMRS	18,890	2,823	21,713	
Lease related	47,986	-	47,986	
<b>Total Deferred Inflows of Resources</b>	<b>219,518</b>	<b>25,632</b>	<b>245,150</b>	
<b><u>Net Position</u></b>				
Net investment in capital assets	5,947,884	7,054,450	13,002,334	
Restricted for:				
Streets and parks	150,342	-	150,342	
Tourism	180,572	-	180,572	
Municipal court	58,659	-	58,659	
Public safety	18,719	-	18,719	
Debt service	1,038,979	-	1,038,979	
Pensions	88,751	13,262	102,013	
Unrestricted	2,882,332	3,689,096	6,571,428	
<b>Total Net Position</b>	<b>\$ 10,366,238</b>	<b>\$ 10,756,808</b>	<b>\$ 21,123,046</b>	

See Notes to Financial Statements.

# City of Granite Shoals, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2024

Primary Government	Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Operating		Governmental Activities	Primary Government		
		Charges for Grants and Contributions	Services		Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 1,771,972	\$ 51,946	\$ 480,613	\$ (1,239,413)	\$ -	\$ (1,239,413)	
Public safety	3,306,171	191,114	-	(3,115,057)	-	(3,115,057)	
Streets and parks	1,087,169	169,479	-	(917,690)	-	(917,690)	
Tourism	46,326	-	-	(46,326)	-	(46,326)	
Interest and fiscal charges	114,926	-	-	(114,926)	-	(114,926)	
<b>Total Governmental Activities</b>	<b>\$ 6,326,564</b>	<b>412,539</b>	<b>480,613</b>	<b>(5,433,412)</b>	<b>-</b>	<b>(5,433,412)</b>	
<b>Business-Type Activities</b>							
Water	2,275,041	2,333,902	163,946	-	222,807	222,807	
Solid Waste	935,811	946,815	-	-	11,004	11,004	
Nonmajor proprietary funds	3,150	32,438	-	-	29,288	29,288	
<b>Total Governmental Activities</b>	<b>\$ 3,214,002</b>	<b>3,313,155</b>	<b>163,946</b>	<b>(5,433,412)</b>	<b>263,099</b>	<b>263,099</b>	
<b>Total</b>	<b>\$ 9,540,566</b>	<b>\$ 3,725,694</b>	<b>\$ 644,559</b>	<b>(5,433,412)</b>	<b>263,099</b>	<b>(5,170,313)</b>	
<b>General Revenues:</b>							
Taxes							
Property taxes	5,972,407	-	-	-	5,972,407		
Sales taxes	643,320	-	-	-	643,320		
Franchise and local taxes	298,921	-	-	-	298,921		
Investment income	601,105	32,470	-	-	633,575		
Other revenues	317,500	43,339	-	-	360,839		
Transfers	(1,168,838)	1,168,838	-	-	-		
<b>Total General Revenues and Transfers</b>	<b>\$ 6,664,415</b>	<b>1,244,647</b>	<b>1,507,746</b>	<b>7,909,062</b>	<b>2,738,747</b>		
<b>Change in Net Position</b>							
Beginning Net Position, as previously reported	9,052,034	9,306,480	(57,418)	-	18,358,514		
Fund reallocations	57,418	25,783	-	-	25,783		
Error corrections							
Beginning Net Position, as adjusted	\$ 9,135,235	\$ 9,249,062	\$ 10,756,808	\$ 18,384,297	\$ 21,123,046		
<b>Ending Net Position</b>	<b>\$ 10,366,238</b>	<b>\$ 10,756,808</b>	<b>\$ 21,123,046</b>				

See Notes to Financial Statements.

# City of Granite Shoals, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2024

	General	Debt Service	Street Maintenance	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,387,364	\$ 1,038,293	\$ 804,789	\$ 1,207,387	\$ 4,437,833
Investments	110,926	-	-	-	110,926
Receivables, net	233,967	87,474	55,444	32,409	409,294
Prepays	21,232	-	-	-	21,232
<b>Total Assets</b>	<b>\$ 1,753,489</b>	<b>\$ 1,125,767</b>	<b>\$ 860,233</b>	<b>\$ 1,239,796</b>	<b>\$ 4,979,285</b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	283,049	-	577,957	2,305	863,311
Customer deposits	31,675	-	-	-	31,675
Due to other funds	-	-	147,557	-	147,557
<b>Total Liabilities</b>	<b>314,724</b>	<b>-</b>	<b>725,514</b>	<b>2,305</b>	<b>1,042,543</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue:					
Property tax	130,516	86,788	-	-	217,304
Lease related	47,986	-	-	-	47,986
<b>Total Deferred Inflows of Resources</b>	<b>178,502</b>	<b>86,788</b>	<b>-</b>	<b>-</b>	<b>265,290</b>
<b>Fund Balances</b>					
Nonspendable:					
Prepays	21,232	-	-	-	21,232
Restricted for:					
Streets and parks	-	-	134,719	15,623	150,342
Tourism	-	-	-	180,572	180,572
Capital projects	-	-	-	963,918	963,918
Municipal court	-	-	-	58,659	58,659
Public safety	-	-	-	18,719	18,719
Debt service	-	1,038,979	-	-	1,038,979
Unassigned	1,239,031	-	-	-	1,239,031
<b>Total Fund Balances</b>	<b>1,260,263</b>	<b>1,038,979</b>	<b>134,719</b>	<b>1,237,491</b>	<b>3,671,452</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,753,489</b>	<b>\$ 1,125,767</b>	<b>\$ 860,233</b>	<b>\$ 1,239,796</b>	<b>\$ 4,979,285</b>

See Notes to Financial Statements.

**City of Granite Shoals, Texas**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**September 30, 2024**

**Fund Balances - Total Governmental Funds** \$ 3,671,452

**Adjustments for the Statement of Net Position:**

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

Capital assets - non-depreciable	2,931,793
Capital assets - net depreciable	7,164,683

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

Property tax receivable	217,304
Net pension asset	88,751

Deferred outflows (inflows) of resources, represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow (inflow) of resources (expense/ expenditure) (revenue) until then.

Pension contributions	122,744
Pension difference in experience	(133,631)
Pension changes in assumptions	(19,011)
Pension investment returns	54,402
OPEB contributions	1,056
OPEB difference in experience	(8,149)
OPEB changes in assumptions	(10,741)

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

Accrued interest	(15,942)
Compensated absences	(124,412)
Long-term debt	(3,422,283)
Premium on debt	(85,324)
OPEB liability	(66,454)
<b>Net Position of Governmental Activities</b>	<b>\$ 10,366,238</b>

See Notes to Financial Statements.

# City of Granite Shoals, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2024

	General	Debt Service	Street Maintenance Sales Tax	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property tax	\$ 3,961,586	\$ 1,977,820	\$ -	\$ -	\$ 5,939,406
Sales tax	321,660	-	321,660	-	643,320
Franchise and local taxes	201,949	-	-	96,972	298,921
Intergovernmental	480,563	-	-	-	480,563
Charges for services	29,489	-	-	22,457	51,946
License and permits	169,479	-	-	-	169,479
Fines and forfeitures	178,539	-	-	12,575	191,114
Investment income	585,357	5,865	4,789	5,094	601,105
Contributions and donations	-	-	-	50	50
Other revenue	138,246	-	-	20,921	159,167
<b>Total Revenues</b>	<b>6,066,868</b>	<b>1,983,685</b>	<b>326,449</b>	<b>158,069</b>	<b>8,535,071</b>
<b>Expenditures</b>					
Current:					
General government	1,720,721	-	-	-	1,720,721
Public safety	3,427,390	-	-	2,057	3,429,447
Streets and parks	905,884	-	-	48,567	954,451
Tourism	-	-	-	38,047	38,047
Debt Service:					
Principal	-	732,547	-	-	732,547
Interest and fiscal charges	-	123,303	-	-	123,303
Capital outlay	60,566	-	787,809	-	848,375
<b>Total Expenditures</b>	<b>6,114,561</b>	<b>855,850</b>	<b>787,809</b>	<b>88,671</b>	<b>7,846,891</b>
<b>Excess (Deficiency) of Revenues Over(Under) Expenditures</b>	<b>(47,693)</b>	<b>1,127,835</b>	<b>(461,360)</b>	<b>69,398</b>	<b>688,180</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	108,551	108,551
Transfers (out)	(108,551)	(1,051,752)	(117,086)	-	(1,277,389)
SBITA lease issuance	20,396	-	-	-	20,396
Insurance recoveries	46,524	-	-	-	46,524
Sale of general capital assets	65,263	-	-	46,546	111,809
<b>Total Other Financing Sources (Uses)</b>	<b>23,632</b>	<b>(1,051,752)</b>	<b>(117,086)</b>	<b>155,097</b>	<b>(990,109)</b>
<b>Net Change in Fund Balances</b>	<b>(24,061)</b>	<b>76,083</b>	<b>(578,446)</b>	<b>224,495</b>	<b>(301,929)</b>
Beginning fund balances (as previously reported)	1,410,971	962,896	-	1,516,313	3,890,180
Change within financial reporting entity (nonmajor to major fund)	-	-	713,165	(713,165)	-
Fund reallocations	(140,349)	-	-	197,767	57,418
Error corrections	13,702	-	-	12,081	25,783
Beginning fund balances (as adjusted/restated)	1,284,324	962,896	713,165	1,012,996	3,973,381
<b>Ending Fund Balances</b>	<b>\$ 1,260,263</b>	<b>\$ 1,038,979</b>	<b>\$ 134,719</b>	<b>\$ 1,237,491</b>	<b>\$ 3,671,452</b>

See Notes to Financial Statements.

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**City of Granite Shoals, Texas**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**

**For the Year Ended September 30, 2024**

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

Net changes in fund balances - total governmental funds	\$ (301,929)
---	--------------

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

Capital outlay	1,439,281
Depreciation expense	(750,266)

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

Property taxes	33,001
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	20,255
Accrued interest	3,044
Pension expense	76,751
OPEB expense	(6,618)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation)

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

SBITA lease issuance	(20,396)
Principal payments	732,547
Amortization of bond premium	<u>5,333</u>
<b>Change in Net Position of Governmental Activities</b>	
	<b>\$ 1,231,003</b>

See Notes to Financial Statements.

**City of Granite Shoals, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**PROPRIETARY FUNDS**  
**September 30, 2024**

	<b>Water</b>	<b>Solid Waste</b>	<b>Nonmajor Proprietary Funds</b>		<b>Total</b>			
			<b>Funds</b>					
<b>Assets</b>								
<b>Current Assets</b>								
Cash and cash equivalents	\$ 4,286,748	\$ 704,189	\$ 622,488	\$ 5,613,425				
Restricted cash - deposits	423,759	-	-	423,759				
Receivables, net	475,805	163,155	-	638,960				
Due from other funds	-	-	1,020,844	1,020,844				
<b>Total Current Assets</b>	<b>5,186,312</b>	<b>867,344</b>	<b>1,643,332</b>	<b>7,696,988</b>				
<b>Noncurrent Assets</b>								
Net pension asset	13,262	-	-	13,262				
Capital assets:								
Non-depreciable	578,922	-	-	578,922				
Net depreciable capital assets	14,888,132	-	-	14,888,132				
<b>Total Noncurrent Assets</b>	<b>15,480,316</b>	<b>-</b>	<b>-</b>	<b>15,480,316</b>				
<b>Total Assets</b>	<b>20,666,628</b>	<b>867,344</b>	<b>1,643,332</b>	<b>23,177,304</b>				
<b>Deferred Outflows of Resources</b>								
Pension - TMRS	26,698	-	-	26,698				
OPEB - TMRS	160	-	-	160				
<b>Total Deferred Outflows of Resources</b>	<b>26,858</b>	<b>-</b>	<b>-</b>	<b>26,858</b>				

**City of Granite Shoals, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**PROPRIETARY FUNDS**  
**September 30, 2024**

	<b>Water</b>	<b>Solid Waste</b>	<b>Nonmajor Proprietary Funds</b>	<b>Total</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable				
and accrued liabilities	\$ 86,072	\$ 84,639	\$ -	\$ 170,711
Customer deposits	423,759	-	-	423,759
Accrued interest payable	52,241	-	42,749	94,990
Long-term debt - current	804,310	-	-	804,310
Compensated absences - current	29,431	-	-	29,431
Due to other funds	540,473	332,814	-	873,287
<b>Total Current Liabilities</b>	<b>1,936,286</b>	<b>417,453</b>	<b>42,749</b>	<b>2,396,488</b>
<b>Noncurrent Liabilities</b>				
Long-term debt - noncurrent	10,012,034	-	-	10,012,034
Compensated absences - noncurrent	3,270	-	-	3,270
OPEB liability	9,930	-	-	9,930
<b>Total Liabilities</b>	<b>11,961,520</b>	<b>417,453</b>	<b>42,749</b>	<b>12,421,722</b>
<b>Deferred Inflows of Resources</b>				
Pension - TMRS	22,809	-	-	22,809
OPEB - TMRS	2,823	-	-	2,823
<b>Total Deferred Inflows of</b>	<b>25,632</b>	<b>-</b>	<b>-</b>	<b>25,632</b>
<b>Net Position</b>				
Net investment in capital assets	7,054,450	-	-	7,054,450
Pensions	13,262	-	-	13,262
Unrestricted	1,638,622	449,891	1,600,583	3,689,096
<b>Total Net Position</b>	<b>\$ 8,706,334</b>	<b>\$ 449,891</b>	<b>\$ 1,600,583</b>	<b>\$ 10,756,808</b>

See Notes to Financial Statements.

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# City of Granite Shoals, Texas

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

For the Year Ended September 30, 2024

	Water	Solid Waste	Nonmajor Proprietary Funds	Total
<b><u>Operating Revenues</u></b>				
Charges for services	\$ 2,333,902	\$ 946,815	\$ 32,438	\$ 3,313,155
Other revenue	39,135	-	-	39,135
<b>Total Operating Revenues</b>	<b>2,373,037</b>	<b>946,815</b>	<b>32,438</b>	<b>3,352,290</b>
<b><u>Operating Expenses</u></b>				
Salaries and wages	436,511	-	-	436,511
Employee benefits	125,821	-	-	125,821
Professional services	48,182	935,811	-	983,993
Other operating expenses	306,922	-	3,150	310,072
Supplies	165,102	-	-	165,102
Water purchase	69,226	-	-	69,226
Depreciation	815,274	-	-	815,274
<b>Total Operating Expenses</b>	<b>1,967,038</b>	<b>935,811</b>	<b>3,150</b>	<b>2,905,999</b>
<b>Operating Income (Loss)</b>	<b>405,999</b>	<b>11,004</b>	<b>29,288</b>	<b>446,291</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Investment earnings	25,288	4,189	2,993	32,470
Grant revenue	163,946	-	-	163,946
Gain on disposal of property	4,204	-	-	4,204
Interest expense	(308,003)	-	-	(308,003)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(114,565)</b>	<b>4,189</b>	<b>2,993</b>	<b>(107,383)</b>
<b>Income (Loss) Before Transfers</b>	<b>291,434</b>	<b>15,193</b>	<b>32,281</b>	<b>338,908</b>
Transfers in	1,215,456	-	-	1,215,456
Transfers (out)	-	(7,018)	(39,600)	(46,618)
<b>Change in Net Position</b>	<b>1,506,890</b>	<b>8,175</b>	<b>(7,319)</b>	<b>1,507,746</b>
Beginning net position (as previously reported)	8,278,913	499,134	528,433	9,306,480
Fund reallocations	(1,079,469)	(57,418)	1,079,469	(57,418)
Beginning net position (as adjusted/restated)	7,199,444	441,716	1,607,902	9,249,062
<b>Ending Net Position</b>	<b>\$ 8,706,334</b>	<b>\$ 449,891</b>	<b>\$ 1,600,583</b>	<b>\$ 10,756,808</b>

See Notes to Financial Statements.

# City of Granite Shoals, Texas

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2024

	Water	Solid Waste	Nonmajor Proprietary Funds	Total
<b><u>Cash Flows from Operating Activities</u></b>				
Receipts from customers	\$ 2,245,766	\$ 926,940	\$ 32,438	\$ 3,205,144
Payments to suppliers	(370,063)	(704,293)	(981,245)	(2,055,601)
Payments to employees	(574,732)	-	-	(574,732)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>1,300,971</b>	<b>222,647</b>	<b>(948,807)</b>	<b>574,811</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>				
Transfer in	1,215,456	-	-	1,215,456
Transfer (out)	-	(7,018)	(39,600)	(46,618)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>1,215,456</b>	<b>(7,018)</b>	<b>(39,600)</b>	<b>1,168,838</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>				
Capital purchases	(1,428,882)	-	-	(1,428,882)
Capital grants	163,946	-	-	163,946
Proceeds from the sale of assets	4,204	-	-	4,204
Principal paid on debt	(790,136)	-	-	(790,136)
Interest paid on debt	(336,216)	-	-	(336,216)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(2,387,084)</b>	<b>-</b>	<b>-</b>	<b>(2,387,084)</b>
<b><u>Cash Flows from Investing Activities</u></b>				
Interest on investments	25,288	4,189	2,993	32,470
<b>Net Cash Provided by Investing Activities</b>	<b>25,288</b>	<b>4,189</b>	<b>2,993</b>	<b>32,470</b>
<b><u>Increase (Decrease) in Cash and Cash Equivalents</u></b>				
	154,631	219,818	(985,414)	(610,965)
Beginning cash and cash equivalents	4,555,876	484,371	1,607,902	6,648,149
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 4,710,507</b>	<b>\$ 704,189</b>	<b>\$ 622,488</b>	<b>\$ 6,037,184</b>

See Notes to Financial Statements.

# City of Granite Shoals, Texas

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2024

	Water	Solid Waste	Nonmajor Proprietary Funds	Total
<b><u>Reconciliation of Operating</u></b>				
<b><u>Income (Loss) to Net Cash Provided by</u></b>				
<b><u>Operating Activities</u></b>				
Operating Income (Loss)	\$ 405,999	\$ 11,004	\$ 29,288	\$ 446,291
Adjustments to reconcile operating income (loss) to net cash provided:				
Depreciation	815,274	-	-	815,274
<b>Changes in Operating Assets and Liabilities:</b>				
<b>(Increase) Decrease in:</b>				
Accounts receivable	(129,063)	(19,875)	-	(148,938)
Due from other funds	540,473	216,067	(1,020,844)	(264,304)
Deferred Outflows of Resources:				
Pension - TMRS	22,518	-	-	22,518
OPEB - TMRS	(31)	-	-	(31)
<b>Increase (Decrease) in:</b>				
Accounts payable and accrued liabilities	(321,104)	15,451	42,749	(262,904)
Customer deposits	1,792	-	-	1,792
OPEB liability	(168)	-	-	(168)
Deferred Inflows of Resources:				
Pension - TMRS	(3,134)	-	-	(3,134)
OPEB - TMRS	(2,003)	-	-	(2,003)
Net pension liability (asset)	<u>(29,582)</u>	<u>-</u>	<u>-</u>	<u>(29,582)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 1,300,971</u></b>	<b><u>\$ 222,647</u></b>	<b><u>\$ (948,807)</u></b>	<b><u>\$ 574,811</u></b>

See Notes to Financial Statements.

# **City of Granite Shoals, Texas**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2024**

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Description of Government-Wide Financial Statements**

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

#### **B. Reporting Entity**

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

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

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

# **City of Granite Shoals, Texas**

## ***NOTES TO FINANCIAL STATEMENTS, Continued***

**September 30, 2024**

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

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

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

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

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

The government reports the following major governmental funds:

#### **General Fund**

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

#### **Debt Service Fund**

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

# **City of Granite Shoals, Texas**

## ***NOTES TO FINANCIAL STATEMENTS, Continued***

### **September 30, 2024**

#### **Street Maintenance Sales Tax Fund**

A street maintenance tax fund accounts for sales tax revenue specifically allocated for the repair and maintenance of existing city streets and sidewalks.

#### **Proprietary Fund Types**

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

#### **Water Fund**

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

#### **Solid Waste Fund**

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

Additionally, the government reports the following fund types:

#### **Special Revenue Funds**

The City accounts for resources restricted to, or designated for, specific purposes in special revenue funds. These funds consist of equipment replacement, hotel tax, restricted park, police

# **City of Granite Shoals, Texas**

## ***NOTES TO FINANCIAL STATEMENTS, Continued***

**September 30, 2024**

seizure, law enforcement education, city cleanup, court technology, court security, and court child safety funds..

### **Capital Projects Fund**

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

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

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

### **D. Measurement Focus and Basis of Accounting**

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

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

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

# **City of Granite Shoals, Texas**

## **NOTES TO FINANCIAL STATEMENTS, *Continued***

**September 30, 2024**

become measurable. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

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

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

### **E. Estimates**

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

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

#### **1. Deposits and Investments**

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

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are

# **City of Granite Shoals, Texas**

## ***NOTES TO FINANCIAL STATEMENTS, Continued***

**September 30, 2024**

operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexSTAR, are reported using the pools' share price.

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

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- No-load money market funds registered with and regulated by the Securities and Exchange Commission
- Statewide investment pools
- Federal Deposit Insurance Corporation (FDIC) insured or collateralized interest bearing money market accounts from any FDIC insured bank in Texas

### **2. Fair Value Measurement**

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

### **3. Receivables and Interfund Transactions**

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

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

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

# **City of Granite Shoals, Texas**

## ***NOTES TO FINANCIAL STATEMENTS, Continued***

**September 30, 2024**

### **4. Property Taxes**

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

### **5. Inventories and Prepaid Items**

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

### **6. Capital Assets**

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

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

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

# City of Granite Shoals, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

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

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

## 7. Deferred Outflows/Inflows of Resources

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

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

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

## 8. Net Position Flow Assumption

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

# **City of Granite Shoals, Texas**

## ***NOTES TO FINANCIAL STATEMENTS, Continued***

**September 30, 2024**

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

### **9. Fund Balance Flow Assumptions**

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

### **10. Fund Balance Policies**

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

# **City of Granite Shoals, Texas**

## **NOTES TO FINANCIAL STATEMENTS, *Continued***

### **September 30, 2024**

#### **11. Compensated Absences**

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

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

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

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

#### **12. Long-Term Obligations**

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

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

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

# **City of Granite Shoals, Texas**

## ***NOTES TO FINANCIAL STATEMENTS, Continued***

**September 30, 2024**

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

### **13. Pensions**

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

### **14. Other Postemployment Benefits ("OPEB")**

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

# City of Granite Shoals, Texas

## *NOTES TO FINANCIAL STATEMENTS, Continued*

### September 30, 2024

#### **15. Leases**

**Lessor:** The City is a lessor for a noncancellable lease of a cell tower. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

#### **16. Subscription Based Information Technology Arrangements (“SBITA”)**

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 96, entitled Subscription-Based Information Technology Arrangements (“SBITA”). The City has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The City recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

#### **G. Revenues and Expenditures/Expenses**

##### **1. Program Revenues**

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are

# City of Granite Shoals, Texas

## *NOTES TO FINANCIAL STATEMENTS, Continued*

### September 30, 2024

restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

## **2. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

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

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

## **II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental funds that, "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." A reconciliation has been presented in the basic financial statements.

## **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, water, and special revenue funds. The City has only presented the general fund budget for reporting purposes. The original budget is adopted by the

# City of Granite Shoals, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the fund level. No funds can be transferred or added to a budgeted fund without Council approval. Appropriations lapse at the end of the year. There were several supplemental budget appropriations made during the year.

#### IV. DETAILED NOTES ON ALL FUNDS

##### A. Deposits and Investments

As of September 30, 2024, the primary government had the following investments:

<b>Investment Type</b>	<b>Carrying Value</b>	<b>Weighted Average Maturity (Years)</b>
External investment pools	\$ 9,823,072	0.10
Certificates of deposit	110,926	0.18
Total fair value	<u>\$ 9,933,998</u>	
Portfolio weighted average maturity		0.10

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

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

*Custodial credit risk – deposits* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The City's investment policy requires funds on bank deposits at the depository bank to be collateralized by securities with a collective market value (market value of the principal and accrued interest) of at least 102%. As of September 30, 2024, the market values of pledged securities and FDIC exceeded bank balances.

# City of Granite Shoals, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

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

#### **TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAA. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. At September 30, 2024, the fair value of the position in TexPool approximates fair value of the shares. There are no limitations or restrictions on withdrawals.

#### **B. Receivables**

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

	General	Debt Service	Street		Other		Total
			Maintenance	Sales Tax	Nonmajor	Funds	Governmental
							Funds
Property taxes	\$ 124,015	\$ 87,474	\$ -	\$ -	\$ -	\$ -	\$ 211,489
Sales and other taxes	61,966	-	55,444	-	30,419	-	147,829
Accounts	-	-	-	-	1,990	-	1,990
Lease	47,986	-	-	-	-	-	47,986
	<b>\$ 233,967</b>	<b>\$ 87,474</b>	<b>\$ 55,444</b>	<b>\$ 32,409</b>	<b>\$ 32,409</b>	<b>\$ 32,409</b>	<b>\$ 409,294</b>
Total							
Solid							
Water							
Accounts	\$ 478,802	\$ 164,474	\$ 643,276	\$ -	\$ -	\$ -	\$ -
Allowance	(2,997)	(1,319)	(4,316)	\$ -	\$ -	\$ -	\$ -
	<b>\$ 475,805</b>	<b>\$ 163,155</b>	<b>\$ 638,960</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# City of Granite Shoals, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

The annual requirements to recognize lease receivables at year end were as follows:

<b>Governmental Activities</b>			
<b>Year ending</b> <b>September 30,</b>	<b>Lease Receivable</b>		
	<b>Principal</b>	<b>Interest</b>	
2025	\$ 24,406	\$ 2,399	
2026	23,580	1,179	
<b>Total</b>	<b>\$ 47,986</b>	<b>\$ 3,578</b>	

### C. Capital Assets

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

	<b>Beginning</b> <b>Balances</b>	<b>Increases</b>	<b>Decreases/ Reclassifications</b>	<b>Ending</b> <b>Balances</b>
Capital assets, not being depreciated:				
Land	\$ 1,725,805	\$ -	\$ -	\$ 1,725,805
Construction in progress	-	811,238	-	811,238
Mineral rights	394,750	-	-	394,750
<b>Total capital assets not being</b>	<b>2,120,555</b>	<b>811,238</b>	<b>-</b>	<b>2,931,793</b>
Capital assets, being depreciated:				
Buildings and improvements	4,480,029	-	-	4,480,029
Improvements & infrastructure	4,211,829	23,350	-	4,235,179
Machinery & equipment	3,840,255	584,297	-	4,424,552
Right of Use - SBITA	-	20,396	-	20,396
<b>Total capital assets being depreciated</b>	<b>12,532,113</b>	<b>628,043</b>	<b>-</b>	<b>13,160,156</b>
Less accumulated depreciation				
Buildings and improvements	1,628,759	105,937		1,734,696
Improvements & infrastructure	1,140,960	212,571		1,353,531
Machinery & equipment	2,475,488	431,758		2,907,246
<b>Total accumulated depreciation</b>	<b>5,245,207</b>	<b>750,266</b>	<b>-</b>	<b>5,995,473</b>
Net capital assets being depreciated	7,286,906	(122,223)	-	7,164,683
<b>Total Net Capital Assets</b>	<b>\$ 9,407,461</b>	<b>\$ 689,015</b>	<b>\$ -</b>	<b>\$ 10,096,476</b>

Depreciation was charged to governmental functions as follows:

General government	\$ 105,145
Public safety	251,279
Streets and parks	385,563
Animal control	8,279
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$ 750,266</b>

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

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

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases/ Reclassifications</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land	\$ 19,802	\$ -	\$ -	\$ 19,802
Construction in progress	2,966,761	1,219,206	(3,626,847)	559,120
Total capital assets not being depreciated	<u>2,986,563</u>	<u>1,219,206</u>	<u>(3,626,847)</u>	<u>578,922</u>
Capital assets, being depreciated:				
Buildings	19,589	-	-	19,589
Improvements and infrastructure	16,061,426	86,058	3,626,847	19,774,331
Machinery and equipment	1,920,775	123,618	-	2,044,393
Total capital assets being depreciated	<u>18,001,790</u>	<u>209,676</u>	<u>3,626,847</u>	<u>21,838,313</u>
Less accumulated depreciation				
Buildings	19,140	109	-	19,249
Improvements and infrastructure	5,437,778	605,304	-	6,043,082
Machinery and equipment	677,989	209,861	-	887,850
Total accumulated depreciation	<u>6,134,907</u>	<u>815,274</u>	<u>-</u>	<u>6,950,181</u>
Net capital assets being depreciated	<u>11,866,883</u>	<u>(605,598)</u>	<u>3,626,847</u>	<u>14,888,132</u>
<b>Total capital assets</b>	<b><u>\$ 14,853,446</u></b>	<b><u>\$ 613,608</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 15,467,054</u></b>

Depreciation was charged to business-type functions as follows:

Water fund	\$ 815,274
<b>Total Business-type Activities Depreciation Expense</b>	<b><u>\$ 815,274</u></b>

# City of Granite Shoals, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

#### **D. Long-term Debt**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
<b>Governmental Activities:</b>					
Bonds, notes and other payables:					
Certification of Obligation	\$ 1,495,000	\$ -	\$ (350,000)	\$ 1,145,000	\$ 365,000
General Obligation Refunding Bonds	1,914,434	-	(127,547)	1,786,887	128,774
Premium	90,657	-	(5,333)	85,324	-
Total Bonds Payable	3,500,091	-	(482,880)	3,017,211	493,774
Other liabilities:					
Subscription liability	- 20,396	- -	20,396	7,100	
Notes payable	725,000	- (255,000)	470,000	260,000	
<b>Total Governmental Activities</b>	<b>\$ 4,225,091</b>	<b>\$ 20,396</b>	<b>\$ (737,880)</b>	<b>\$ 3,507,607</b>	<b>\$ 760,874</b>
 <b>Long-term liabilities due in more than one year</b>					
				<b>\$ 2,746,733</b>	
 <b>Business-Type Activities:</b>					
General Obligation Refunding Bonds	\$ 9,483,566	\$ -	\$ (669,453)	\$ 8,814,113	\$ 682,226
Certification of Obligation	1,605,000	- (50,000)	1,555,000	50,000	
Premium	400,218	- (25,071)	375,147	-	
Total Bonds Payable	11,488,784	- (744,524)	10,744,260	732,226	
Other liabilities:					
Notes payable	142,767	- (70,683)	72,084	72,084	
<b>Total Business-Type Activities</b>	<b>\$ 11,631,551</b>	<b>\$ -</b>	<b>\$ (815,207)</b>	<b>\$ 10,816,344</b>	<b>\$ 804,310</b>
 <b>Long-term liabilities due in more than one year</b>					
				<b>\$ 10,012,034</b>	

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

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

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

	Business -		
	Governmental Activities	Type Activities	Total
<b>General Obligation Refunding Bonds:</b>			
\$5,725,000 General Obligation Refunding Bonds, Series 2014, due in installments through 2034, interest at 3.25%	\$ -	\$ 3,316,000	\$ 3,316,000
\$3,000,000 General Obligation Refunding Bonds, Series 2018, due in annual installments through 2027, interest at 2.80%	1,786,887	5,498,113	7,285,000
<b>Total General Obligation Refunding Bonds</b>	<b>\$ 1,786,887</b>	<b>\$ 8,814,113</b>	<b>\$ 10,601,000</b>
<b>Certificates of Obligation:</b>			
\$5,000,000 Certificates of Obligation, Series 2008, due in annual installments through 2027, interest at 4.49%	\$ 1,145,000	\$ -	\$ 1,145,000
\$1,650,000 Certificates of Obligation, Series 2022, due in annual installments through 2037, interest from 3% to 5%	-	1,555,000	1,555,000
<b>Total Certificates of Obligation</b>	<b>\$ 1,145,000</b>	<b>\$ 1,555,000</b>	<b>\$ 2,700,000</b>
<b>Notes Payable</b>			
\$629,690 Note Payable, Spirit of Texas Bank, due in installments through 2025, interest at 2.81%	\$ -	\$ 72,084	\$ 72,084
\$1,030,000 Note Payable, BB&T Governmental Finance, due in installments through 2026, interest at 1.03%	420,000	-	420,000
\$280,000 Note Payable, BB&T Governmental Finance, due in installments through 2025, interest at 2.15%	50,000	-	50,000
<b>Total Notes Payable</b>	<b>\$ 470,000</b>	<b>\$ 72,084</b>	<b>\$ 542,084</b>
<b>Subscription Liability</b>			
\$20,396 SBITA Liability, iWorQ, due in installments through 2027, interest at 4.50%	\$ 20,396	\$ -	\$ 20,396
<b>Total SBITA Liability</b>	<b>\$ 20,396</b>	<b>\$ -</b>	<b>\$ 20,396</b>
<b>Less Deferred Amounts:</b>			
Premiums	\$ 85,324	\$ 375,147	\$ 460,471
<b>Total Debt</b>	<b>\$ 3,507,607</b>	<b>\$ 10,816,344</b>	<b>\$ 14,323,951</b>

# City of Granite Shoals, Texas

## *NOTES TO FINANCIAL STATEMENTS, Continued* *September 30, 2024*

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

Year ending September 30,	Governmental Activities			
	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2025	\$ 128,774	\$ 44,241	\$ 365,000	\$ 51,411
2026	133,679	41,666	380,000	35,022
2027	134,906	38,992	400,000	17,960
2028	90,755	33,596	-	-
2029	93,208	29,966	-	-
2030	96,887	26,237	-	-
2031	100,566	23,331	-	-
2032	103,019	20,314	-	-
2033	105,472	18,253	-	-
2034	107,925	16,144	-	-
2035	109,151	13,986	-	-
2036	111,604	11,803	-	-
2037	114,057	9,570	-	-
2038	116,509	7,289	-	-
2039	118,962	4,959	-	-
2040	121,413	2,580	-	-
<b>Total</b>	<b>\$ 1,786,887</b>	<b>\$ 342,927</b>	<b>\$ 1,145,000</b>	<b>\$ 104,393</b>

Year ending September 30,	Governmental Activities	
	Notes Payable	
	Principal	Interest
2025	\$ 260,000	\$ 5,401
2026	210,000	2,163
<b>Total</b>	<b>\$ 470,000</b>	<b>\$ 7,564</b>

Year ending September 30,	Governmental Activities	
	SBITA Liability	
	Principal	Interest
2025	\$ 7,100	\$ -
2026	6,502	598
2027	6,794	306
<b>Total</b>	<b>\$ 20,396</b>	<b>\$ 904</b>

# City of Granite Shoals, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

### Business-Type Activities

Year ending September 30,	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2025	\$ 682,226	\$ 243,897	\$ 50,000	\$ 69,550
2026	706,321	226,677	50,000	67,550
2027	720,094	208,864	110,000	66,050
2028	594,245	182,347	110,000	62,750
2029	611,792	160,940	115,000	59,450
2030	634,113	138,906	115,000	56,000
2031	655,434	119,042	125,000	50,250
2032	674,981	98,514	130,000	44,000
2033	693,528	80,540	135,000	37,500
2034	713,075	62,057	145,000	30,750
2035	335,849	43,032	150,000	23,500
2036	343,396	36,315	155,000	16,000
2037	350,943	29,448	165,000	8,250
2038	358,491	22,429	-	-
2039	366,038	15,259	-	-
2040	373,587	7,938	-	-
<b>Total</b>	<b>\$ 8,814,113</b>	<b>\$ 1,676,205</b>	<b>\$ 1,555,000</b>	<b>\$ 591,600</b>

### Business-Type Activities

Year ending September 30,	Notes Payable	
	Principal	Interest
2025	\$ 72,084	\$ 2,403
<b>Total</b>	<b>\$ 72,084</b>	<b>\$ 2,403</b>

# City of Granite Shoals, Texas

## *NOTES TO FINANCIAL STATEMENTS, Continued*

### September 30, 2024

#### **E. Compensated Absences**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due within One Year</b>
<b>Governmental Activities:</b>					
Compensated absences	\$ 144,667	\$ 97,038	\$ (117,293)	\$ 124,412	\$ 111,970
<b>Total Governmental Activities</b>	<b><u>\$ 144,667</u></b>	<b><u>\$ 97,038</u></b>	<b><u>\$ (117,293)</u></b>	<b><u>\$ 124,412</u></b>	<b><u>\$ 111,970</u></b>
<b>Other long-term liabilities due in more than one year</b>					
				<b><u>\$ 12,442</u></b>	
<b>Business-Type Activities:</b>					
Compensated absences	\$ 32,701	\$ 18,081	\$ (18,081)	\$ 32,701	\$ 29,431
<b>Total Business-Type Activities</b>	<b><u>\$ 32,701</u></b>	<b><u>\$ 18,081</u></b>	<b><u>\$ (18,081)</u></b>	<b><u>\$ 32,701</u></b>	<b><u>\$ 29,431</u></b>
<b>Other long-term liabilities due in more than one year</b>					
				<b><u>\$ 3,270</u></b>	

#### **F. Customer Deposits**

The City had customer deposits of \$423,759 in the water fund as of year end. The City requires a refundable deposit for all new utility customers. This amount will be returned to the customer when utility service is discontinued and all outstanding utility expenses are paid. The City also had customer deposits of \$31,675 in the general fund as of year end. These deposits were related to building permit fees and park services.

#### **G. Interfund Transactions**

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

# City of Granite Shoals, Texas

## *NOTES TO FINANCIAL STATEMENTS, Continued*

### September 30, 2024

Transfers between the primary government funds during the 2024 year were as follows:

Transfers In:	Transfers Out:							
	Street							
	General	Debt Service	Maintenance	Solid Waste	Nonmajor Proprietary	Total		
Water	\$ -	\$ 1,051,752	\$ 117,086	\$ 7,018	\$ 39,600	\$ 1,215,456		
Nonmajor Governmental	108,551	-	-	-	-	108,551		
<b>Total</b>	<b>\$ 108,551</b>	<b>\$ 1,051,752</b>	<b>\$ 117,086</b>	<b>\$ 7,018</b>	<b>\$ 39,600</b>	<b>\$ 1,324,007</b>		

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

The compositions of interfund balances as of the year ended September 30, 2024 were as follows:

Due from:	Due to:				
	Street				
	Water	Solid Waste	Maintenance	Sales Tax	Total
Nonmajor proprietary	\$ 540,473	\$ 332,814	\$ 147,557	\$ 1,020,844	
<b>Total</b>	<b>\$ 540,473</b>	<b>\$ 332,814</b>	<b>\$ 147,557</b>	<b>\$ 1,020,844</b>	

## H. Fund Equity

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

The following is a list of restricted fund balances:

	Restricted
Streets and parks	\$ 150,342
Tourism	180,572
Capital projects	963,918
Municipal court	58,659 *
Public safety	18,719
Debt service	1,038,979
<b>Total</b>	<b>\$ 2,411,189</b>

\*Restricted by enabling legislation

# **City of Granite Shoals, Texas**

## **NOTES TO FINANCIAL STATEMENTS, *Continued***

### **September 30, 2024**

#### **V. OTHER INFORMATION**

##### **A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with more than 2,700 other entities in the Texas Municipal League Intergovernmental Risk Pools. The Pool was designed and created to provide insurance coverage that meets the needs of local governments at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums.

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

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

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

##### **B. Contingent Liabilities**

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

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

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

# City of Granite Shoals, Texas

## *NOTES TO FINANCIAL STATEMENTS, Continued*

### September 30, 2024

#### **C. Arbitrage**

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

#### **D. Defined Benefit Pension Plans**

##### Texas Municipal Retirement System

###### **1. Plan Description**

The City of Granite Shoals, Texas participates as one of 934 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

###### **2. Benefits Provided**

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of three 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.

# City of Granite Shoals, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2024

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

	<u>Plan Year 2023</u>	<u>Plan Year 2022</u>
Employee deposit rate	7%	5%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

### Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	44
Active employees	49
Total	<u>109</u>

### 3. Contributions

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

Employees for the City of Granite Shoals, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Granite Shoals, Texas were 5.81% and 6.26% in calendar years 2024 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$194,674, and were equal to the required contributions.

# City of Granite Shoals, Texas

## *NOTES TO FINANCIAL STATEMENTS, Continued*

### September 30, 2024

#### **4. Net Pension Liability (Asset)**

The City's Net Pension Liability (Asset) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

#### **Actuarial assumptions**

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75% net of pension plan investment expense

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, Gabriel Roeder Smith & Company (GRS) focused on the area between (1) arithmetic mean (aggressive) without an

# City of Granite Shoals, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2024

adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Real Return	12.0%	8.10%
Real Estate	12.0%	5.80%
Absolute Return	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	100.0%	

### Discount Rate

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

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

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

1% Decrease	Current Single Rate	1% Increase
5.75%	Assumption 6.75%	7.75%
\$ 356,815	\$ (102,013)	\$ (477,819)

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**Changes in the Net Pension Liability (Asset)**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) – (b)</b>
<b>Balance at 12/31/2022</b>	<b>\$ 2,740,268</b>	<b>\$ 2,638,265</b>	<b>\$ 102,003</b>
Changes for the year:			
Service cost	370,196	-	370,196
Interest	195,024	-	195,024
Difference between expected and actual experience	(54,191)	-	(54,191)
Changes of assumptions	(29,520)	-	(29,520)
Contributions – employer	-	179,785	(179,785)
Contributions – employee	-	201,038	(201,038)
Net investment income	-	306,658	(306,658)
Benefit payments, including refunds of emp. contributions	(72,253)	(72,253)	-
Administrative expense	-	(1,943)	1,943
Other changes	-	(14)	14
Net changes	409,256	613,272	(204,016)
<b>Balance at 12/31/2023</b>	<b>\$ 3,149,524</b>	<b>\$ 3,251,537</b>	<b>\$ (102,013)</b>

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at [www.tmrs.com](http://www.tmrs.com).

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

For the year ended September 30, 2024, the City recognized pension expense of \$107,952.

# City of Granite Shoals, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2024

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Contributions subsequent to the measurement date	\$ 141,313	\$ -
Difference in expereince	- -	(153,599)
Changes in actuarial assumptions	- -	(21,852)
Pension investment returns	62,531	- -
<b>Total</b>	<b><u>\$ 203,844</u></b>	<b><u>\$ (175,451)</u></b>

The City reported \$141,313 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Plan Year</b>
2024 \$ (48,481)
2025 (46,320)
2026 7,600
2027 (25,719)
2028 - -
<b>Total</b> <b><u>\$ (112,920)</u></b>

### Other Postemployment Benefits

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

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

# City of Granite Shoals, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2024

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

### Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	8
Active employees	49
Total	66

The City's contributions to the TMRS SDBF for the years ended 2024, 2023 and 2022 were \$1,572, \$1,737, and \$3,602, respectively, which equaled the required contributions each year.

### Three-Year Contribution Information

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2022	0.14%	0.14%	100.0%
2023	0.04%	0.04%	100.0%
2024	0.05%	0.05%	100.0%

### Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2023, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

# City of Granite Shoals, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2024

### Actuarial assumptions:

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85%, including inflation per year
Discount rate	3.77%
Retirees' share of benefit-related costs	\$0

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

### Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.77%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

1% Decrease	Current Single Rate	1% Increase
2.77%	Assumption 3.77%	4.77%
\$ 92,909	\$ 76,384	\$ 63,804

**City of Granite Shoals, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**Changes in the Total OPEB Liability:**

	<b>Total OPEB Liability</b>
<b>Balance at 12/31/2022</b>	\$ 63,111
Changes for the year:	
Service Cost	6,893
Interest	2,672
Difference between expected and actual experience	470
Changes of assumptions	4,387
Benefit payments	(1,149)
Net changes	13,273
<b>Balance at 12/31/2023</b>	<b><u>\$ 76,384</u></b>

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$5,975.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Contributions subsequent to the measurement date	\$ 1,216	\$ -
Difference in experience	-	(9,367)
Changes in actuarial assumptions	-	(12,346)
<b>Total</b>	<b><u>\$ 1,216</u></b>	<b><u>\$ (21,713)</u></b>

The City reported \$1,216 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2025.

# City of Granite Shoals, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

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

<b>Year ended December 31:</b>		
2024	\$	(4,090)
2025		(3,462)
2026		(4,780)
2027		(5,524)
2028		(3,985)
Thereafter		128
	<b>\$</b>	<b>(21,713)</b>

#### **E. Restatement**

The City restated beginning fund balance/net position for governmental activities, business-type activities, the general fund, the street maintenance sales tax fund, nonmajor governmental funds, the water fund, the solid waste fund, and the nonmajor proprietary funds due to change in financial reporting/corrections/reallocations to fund balances, accrued receivables and liabilities. The restatements are summarized below:

	<b>Street</b>			
	<b>Governmental Activities</b>	<b>General Fund</b>	<b>Maintenance Sales Tax Fund</b>	<b>Nonmajor Funds</b>
Prior year ending net position/fund balance, as reported	\$ 9,052,034	\$ 1,410,971	\$ -	\$ 1,516,313
Change within financial reporting entity (nonmajor to major fund)	-	-	713,165 *	(713,165)
To correct fund allocation	57,418	(140,349)	-	197,767
To correct accrued liabilities	13,702	13,702	-	-
To correct accrued receivables	12,081	-	-	12,081
Restated beginning net position/fund balance	<b>\$ 9,135,235</b>	<b>\$ 1,284,324</b>	<b>\$ 713,165</b>	<b>\$ 1,012,996</b>
	<b>Business-type Activities</b>			
	<b>Water Fund</b>	<b>Solid Waste Fund</b>	<b>Nonmajor Funds</b>	
Prior year ending net position/fund balance, as reported	\$ 9,306,480	\$ 499,134	\$ 528,433	
To correct fund allocation	(57,418)	(57,418)	1,079,469	
Restated beginning net position/fund balance	<b>\$ 9,249,062</b>	<b>\$ 441,716</b>	<b>\$ 1,607,902</b>	

\*Formally nonmajor fund

# **City of Granite Shoals, Texas**

***NOTES TO FINANCIAL STATEMENTS, Continued***

**September 30, 2024**

## **F. Subsequent Events**

There were no material subsequent events through June 20, 2025, the date the financial statements were issued.

## **G. New Accounting Pronouncements**

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 100, entitled Accounting Changes and Error Calculations. The requirements of this statement are displayed within the government-wide and fund financial statements, where applicable.

## ***REQUIRED SUPPLEMENTARY INFORMATION***

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**City of Granite Shoals, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended September 30, 2024**

	Original Budget	Final Budget	Actual	Variance with Final Budget
				Positive (Negative)
<b>Revenues</b>				
Property tax	\$ 3,804,756	\$ 3,949,345	\$ 3,961,586	\$ 12,241
Sales tax	275,000	350,000	321,660	(28,340)
Franchise and local taxes	160,150	182,150	201,949	19,799
Intergovernmental	445,500	496,027	480,563	(15,464)
Charges for services	29,500	7,725	29,489	21,764
License and permits	196,800	164,097	169,479	5,382
Fines and forfeitures	95,845	150,025	178,539	28,514
Investment income	15,000	565,000	585,357	20,357
Other revenue	100,000	138,089	138,246	157
<b>Total Revenues</b>	<b>5,122,551</b>	<b>6,002,458</b>	<b>6,066,868</b>	<b>64,410</b>
<b>Expenditures</b>				
Current:				
Municipal court	127,173	127,173	116,359	10,814
Finance and administration	1,478,440	1,631,385	1,604,362	27,023
Police	2,296,085	2,266,085	2,266,254	(169)
Fire protection	1,229,698	1,137,753	1,161,136	(23,383)
Streets and parks	1,075,766	1,075,766	905,884	169,882
Capital outlay	168,500	168,500	60,566	107,934
<b>Total Expenditures</b>	<b>6,375,662</b>	<b>6,406,662</b>	<b>6,114,561</b>	<b>292,101</b>
<b>Revenues Over (Under)</b>	<b>(1,253,111)</b>	<b>(404,204)</b>	<b>(47,693)</b>	<b>356,511</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	88,000	1,200,000	-	(1,200,000)
Transfers (out)	-	(114,827)	(108,551)	6,276
SBITA lease issuance	-	-	20,396	20,396
Insurance recoveries	-	-	46,524	46,524
Sale of general capital assets	-	35,040	65,263	30,223
<b>Total Other Financing Sources (Uses)</b>	<b>88,000</b>	<b>1,120,213</b>	<b>23,632</b>	<b>(1,096,581)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,165,111)</b>	<b>\$ 716,009</b>	<b>(24,061)</b>	<b>\$ (740,070)</b>
Beginning fund balance			1,284,324	
<b>Ending Fund Balance</b>			<b>\$ 1,260,263</b>	

Notes to Required Supplementary Information

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

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# City of Granite Shoals, Texas

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

Years Ended:

	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
<b>Total pension liability</b>										
Service cost	\$ 370,196	\$ 330,452	\$ 221,634	\$ 219,408	\$ 168,001	\$ 162,310	\$ 164,908	\$ 158,085	\$ 150,157	\$ 128,541
Interest	195,024	177,051	147,847	127,572	117,822	111,795	98,809	87,437	73,811	62,140
Changes in benefit terms	-	88,579	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(54,191)	(194,129)	(15,943)	12,588	(83,588)	(81,355)	(9,971)	(37,382)	13,012	2,977
Changes of assumptions	(29,520)	-	-	-	5,973	-	-	-	42,993	-
Benefit payments, including refunds of participant contributions	(72,253)	(61,705)	(66,068)	(54,527)	(124,405)	(88,217)	(31,902)	(54,256)	(31,792)	(43,675)
<b>Net change in total pension liability</b>	<u>409,256</u>	<u>340,248</u>	<u>287,470</u>	<u>305,041</u>	<u>83,803</u>	<u>104,533</u>	<u>221,844</u>	<u>153,884</u>	<u>248,181</u>	<u>149,983</u>
<b>Total pension liability - beginning</b>	<u>2,740,268</u>	<u>2,400,020</u>	<u>2,112,550</u>	<u>1,807,509</u>	<u>1,723,706</u>	<u>1,619,173</u>	<u>1,397,329</u>	<u>1,243,445</u>	<u>995,264</u>	<u>845,281</u>
<b>Total pension liability - ending (a)</b>	<u>3,149,524</u>	<u>2,740,268</u>	<u>2,400,020</u>	<u>2,112,550</u>	<u>1,807,509</u>	<u>1,723,706</u>	<u>1,619,173</u>	<u>1,397,329</u>	<u>1,243,445</u>	<u>995,264</u>
<b>Plan fiduciary net position</b>										
Contributions - employer	179,785	108,143	102,283	112,617	87,178	84,723	86,053	73,817	69,291	47,394
Contributions - members	201,038	125,456	118,142	117,310	87,047	84,360	85,711	82,941	81,519	75,836
Net investment income	306,658	(194,822)	289,776	144,413	248,208	(47,088)	174,306	73,175	1,420	47,807
Benefit payments, including refunds of participant contributions	(72,253)	(61,705)	(66,068)	(54,527)	(124,405)	(88,217)	(31,902)	(54,256)	(31,792)	(43,675)
Administrative expenses	(1,943)	(1,681)	(1,338)	(933)	(1,400)	(909)	(903)	(826)	(865)	(499)
Other	(13)	2,005	10	(36)	(42)	(47)	(45)	(43)	(43)	(41)
<b>Net change in plan fiduciary net position</b>	<u>613,272</u>	<u>(22,604)</u>	<u>442,805</u>	<u>318,844</u>	<u>296,586</u>	<u>32,822</u>	<u>313,220</u>	<u>174,808</u>	<u>119,530</u>	<u>126,822</u>
<b>Plan fiduciary net position - beginning</b>	<u>2,638,265</u>	<u>2,660,869</u>	<u>2,218,064</u>	<u>1,899,220</u>	<u>1,602,634</u>	<u>1,569,812</u>	<u>1,256,592</u>	<u>1,081,784</u>	<u>962,254</u>	<u>835,432</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 3,251,537</u>	<u>\$ 2,638,265</u>	<u>\$ 2,660,869</u>	<u>\$ 2,218,064</u>	<u>\$ 1,899,220</u>	<u>\$ 1,602,634</u>	<u>\$ 1,569,812</u>	<u>\$ 1,256,592</u>	<u>\$ 1,081,784</u>	<u>\$ 962,254</u>
<b>Fund's net pension liability (asset) - ending (a) - (b)</b>	<u><u>\$ (102,013)</u></u>	<u><u>\$ 102,003</u></u>	<u><u>\$ (260,849)</u></u>	<u><u>\$ (105,514)</u></u>	<u><u>\$ (91,711)</u></u>	<u><u>\$ 121,072</u></u>	<u><u>\$ 49,361</u></u>	<u><u>\$ 140,737</u></u>	<u><u>\$ 161,661</u></u>	<u><u>\$ 33,010</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	103%	96%	111%	105%	105%	93%	97%	90%	87%	97%
<b>Covered payroll</b>	\$ 2,871,966	\$ 2,509,123	\$ 2,362,834	\$ 2,329,168	\$ 1,740,944	\$ 1,687,210	\$ 1,714,218	\$ 1,658,811	\$ 1,630,373	\$ 1,516,714
<b>Fund's net pension liability as a percentage of covered payroll</b>	-3.55%	4.07%	-11.04%	-4.53%	-5.27%	7.18%	2.88%	8.48%	9.92%	2%

# City of Granite Shoals, Texas

## SCHE DULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Actuarially determined employer contributions	\$ 194,674	\$ 154,853	\$ 108,990	\$ 105,100	\$ 102,936	\$ 86,255	\$ 84,917	\$ 83,121	\$ 75,179	\$ 63,558
actuarially determined contribution										
Contribution deficiency (excess)	\$ <u>194,674</u>	\$ <u>154,853</u>	\$ <u>108,990</u>	\$ <u>105,100</u>	\$ <u>102,936</u>	\$ <u>86,255</u>	\$ <u>84,917</u>	\$ <u>83,121</u>	\$ <u>75,179</u>	\$ <u>63,558</u>
Annual covered payroll	\$ 3,284,375	\$ 2,680,796	\$ 2,525,689	\$ 2,356,001	\$ 2,125,749	\$ 1,687,210	\$ 1,689,020	\$ 1,700,764	\$ 1,709,498	\$ 1,608,453
Employer contributions as a percentage of covered payroll	5.93%	5.78%	4.32%	4.46%	4.84%	5.11%	5.03%	4.89%	4.40%	3.95%

## NOTES TO SCHE DULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

### Valuation Date:

Notes

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

### Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining	
Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Other Information:	
Notes	There were no benefit changes during the year.

# City of Granite Shoals, Texas

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

**Years Ended:**

	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<sup>1</sup>
Total OPEB liability								
Service cost	\$ 6,893	\$ 10,789	\$ 9,688	\$ 7,686	\$ 5,049	\$ 5,230	\$ 4,628	
Interest	2,672	1,735	1,876	2,065	2,200	2,065	1,951	
Changes in benefit terms	-	-	-	-	-	-	-	
Differences between expected and actual experience								
Changes of assumptions	470	(1,114)	(10,844)	(1,335)	(5,588)	(5,268)	-	
Benefit payments, including refunds of participant contributions	4,387	(35,464)	2,764	11,671	13,819	(4,244)	4,564	
Net change in total OPEB liability	<u>(1,149)</u>	<u>(3,513)</u>	<u>(3,544)</u>	<u>(1,165)</u>	<u>(870)</u>	<u>(675)</u>	<u>(686)</u>	
Total OPEB liability - beginning	<u>13,273</u>	<u>(27,567)</u>	<u>(60)</u>	<u>18,922</u>	<u>14,610</u>	<u>(2,892)</u>	<u>10,457</u>	
Total OPEB liability - ending	<u><u>63,111</u></u>	<u><u>90,678</u></u>	<u><u>90,738</u></u>	<u><u>71,816</u></u>	<u><u>57,206</u></u>	<u><u>60,098</u></u>	<u><u>49,641</u></u>	
Covered payroll	\$ 2,871,966	\$ 2,509,123	\$ 2,362,834	\$ 2,329,168	\$ 1,740,944	\$ 1,687,210	\$ 1,714,218	
City's total OPEB liability as a percentage of covered payroll	2.66%	2.52%	3.84%	3.90%	4.13%	3.39%	3.51%	

**Notes to schedule:**

- 1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.
- 2) No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

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

# City of Granite Shoals, Texas

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

September 30, 2024

	Capital Projects	Equipment Replacement	Hotel Tax Fund	Restricted Park	Police Seizure
<b><u>Assets</u></b>					
Cash and cash equivalents	\$ 733,821	\$ 230,097	\$ 109,389	\$ 40,932	\$ 9,766
Receivables, net	-	-	30,419	-	-
<b>Total Assets</b>	<b><u>\$ 733,821</u></b>	<b><u>\$ 230,097</u></b>	<b><u>\$ 139,808</u></b>	<b><u>\$ 40,932</u></b>	<b><u>\$ 9,766</u></b>
<b><u>Liabilities</u></b>					
Accounts payable	\$ -	\$ -	\$ 168	\$ -	\$ 2,101
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>168</u></b>	<b><u>-</u></b>	<b><u>2,101</u></b>
<b><u>Fund Balances</u></b>					
Restricted for:					
Streets and parks	-	-	-	-	-
Tourism	-	-	139,640	40,932	-
Capital projects	733,821	230,097	-	-	-
Municipal court	-	-	-	-	7,665
Public Safety	-	-	-	-	-
<b>Total Fund Balances (Deficits)</b>	<b><u>733,821</u></b>	<b><u>230,097</u></b>	<b><u>139,640</u></b>	<b><u>40,932</u></b>	<b><u>7,665</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 733,821</u></b>	<b><u>\$ 230,097</u></b>	<b><u>\$ 139,808</u></b>	<b><u>\$ 40,932</u></b>	<b><u>\$ 9,766</u></b>

Law Enforcement	City Education	Court Technology	Court Security	Court Child Safety	Street Maintenance	Street Sales Tax	Total
\$ 18,719	\$ 13,669	\$ 5,267	\$ 12,970	\$ 32,757	\$ -	\$ 1,207,387	
-	1,990	-	-	-	-	-	32,409
<b>\$ 18,719</b>	<b>\$ 15,659</b>	<b>\$ 5,267</b>	<b>\$ 12,970</b>	<b>\$ 32,757</b>	<b>\$ -</b>	<b>\$ 1,239,796</b>	
\$ -	\$ 36	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,305
-	36	-	-	-	-	-	2,305
-	15,623	-	-	-	-	-	15,623
-	-	-	-	-	-	-	180,572
-	-	-	-	-	-	-	963,918
-	-	5,267	12,970	32,757	-	-	58,659
<b>18,719</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,719</b>
<b>18,719</b>	<b>15,623</b>	<b>5,267</b>	<b>12,970</b>	<b>32,757</b>	<b>-</b>	<b>-</b>	<b>1,237,491</b>
<b>\$ 18,719</b>	<b>\$ 15,659</b>	<b>\$ 5,267</b>	<b>\$ 12,970</b>	<b>\$ 32,757</b>	<b>\$ -</b>	<b>\$ 1,239,796</b>	

**City of Granite Shoals, Texas**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2024**

	<b>Capital Projects</b>	<b>Equipment Replacement</b>	<b>Hotel Tax Fund</b>	<b>Restricted Park</b>	<b>Police Seizure</b>
<b>Revenues</b>					
Hotel occupancy tax	\$ -	\$ -	\$ 96,972	\$ -	\$ -
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	3,181	1,347	435	-	-
Contributions	-	-	-	-	-
Other revenue	-	15,750	4,927	-	-
<b>Total Revenues</b>	<b>3,181</b>	<b>17,097</b>	<b>102,334</b>	<b>-</b>	<b>-</b>
<b>Expenditures</b>					
Streets and parks	-	-	-	26,165	-
Tourism	-	-	38,047	-	-
Public safety	-	-	-	-	2,587
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>38,047</b>	<b>26,165</b>	<b>2,587</b>
<b>Revenues Over (Under) Expenditures</b>	<b>3,181</b>	<b>17,097</b>	<b>64,287</b>	<b>(26,165)</b>	<b>(2,587)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	88,000	-	20,551	-
Sale of general capital assets	-	-	-	46,546	-
<b>Total Other Financing (Uses)</b>	<b>-</b>	<b>88,000</b>	<b>-</b>	<b>67,097</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>3,181</b>	<b>105,097</b>	<b>64,287</b>	<b>40,932</b>	<b>(2,587)</b>
Beginning fund balances (as previously reported)	730,640	-	63,272	(36,491)	10,252
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	-
Fund reallocations	-	125,000	-	36,491	-
Error corrections	-	-	12,081	-	-
Beginning fund balances (as adjusted/restated)	730,640	125,000	75,353	-	10,252
<b>Ending Fund Balances</b>	<b>\$ 733,821</b>	<b>\$ 230,097</b>	<b>\$ 139,640</b>	<b>\$ 40,932</b>	<b>\$ 7,665</b>

Law Enforcement	City Education	Court Cleanup	Court Technology	Court Security	Court Child Safety	Street Maintenance	Street Sales Tax	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,972
		22,457						22,457
1,333		-	4,776	1,683	4,783			12,575
-		-	-	-	131			5,094
-		50	-	-	-			50
-		244	-	-	-			20,921
<u>1,333</u>	<u>22,751</u>	<u>4,776</u>	<u>1,683</u>	<u>4,914</u>				<u>158,069</u>
		22,402						48,567
		-	-	-	-			38,047
(530)		-	-	-	-			2,057
<u>(530)</u>	<u>22,402</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>			<u>88,671</u>
<u>1,863</u>	<u>349</u>	<u>4,776</u>	<u>1,683</u>	<u>4,914</u>				<u>69,398</u>
		-	-	-	-			108,551
		-	-	-	-			46,546
		-	-	-	-			155,097
<u>1,863</u>	<u>349</u>	<u>4,776</u>	<u>1,683</u>	<u>4,914</u>				<u>224,495</u>
16,856	15,274	491	2,854	-	713,165			1,516,313
-	-	-	-	-	(713,165)			(713,165)
-	-	-	8,433	27,843	-			197,767
-	-	-	-	-	-			12,081
<u>16,856</u>	<u>15,274</u>	<u>491</u>	<u>11,287</u>	<u>27,843</u>				<u>1,012,996</u>
<u>\$ 18,719</u>	<u>\$ 15,623</u>	<u>\$ 5,267</u>	<u>\$ 12,970</u>	<u>\$ 32,757</u>	<u>\$ -</u>			<u>\$ 1,237,491</u>

**City of Granite Shoals, Texas**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**September 30, 2024**

	Utility Equipment Reserve	ARPA	Meter Reader Project	Total
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 554,213	\$ 58,624	\$ 9,651	\$ 622,488
Due from other funds	-	1,020,844	-	1,020,844
<b>Total Current Assets</b>	<b>\$ 554,213</b>	<b>\$ 1,079,468</b>	<b>\$ 9,651</b>	<b>\$ 1,643,332</b>
<b><u>Liabilities</u></b>				
<b><u>Current Liabilities</u></b>				
Accounts payable	\$ -	\$ 42,749	\$ -	\$ 42,749
<b>Total Current Liabilities</b>	<b>\$ -</b>	<b>\$ 42,749</b>	<b>\$ -</b>	<b>\$ 42,749</b>
<b><u>Net Position</u></b>				
Unrestricted	554,213	1,036,719	9,651	1,600,583
<b>Total Net Position</b>	<b>\$ 554,213</b>	<b>\$ 1,036,719</b>	<b>\$ 9,651</b>	<b>\$ 1,600,583</b>

**City of Granite Shoals, Texas**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2024**

	Utility Equipment Reserve	ARPA	Meter Reader Project	Total
<b>Revenues</b>				
Charges for services	\$ 32,438	\$ -	\$ -	\$ 32,438
<b>Total Revenues</b>	<b>32,438</b>	<b>-</b>	<b>-</b>	<b>32,438</b>
<b>Operating Expenses</b>				
Other operating expenses	-	3,150	-	3,150
<b>Total Operating Expenses</b>	<b>-</b>	<b>3,150</b>	<b>-</b>	<b>3,150</b>
<b>Operating Income (Loss)</b>	<b>32,438</b>	<b>(3,150)</b>	<b>-</b>	<b>29,288</b>
<b>Nonoperating Revenues (Expenses)</b>				
Investment earnings	2,993	-	-	2,993
<b>Total Nonoperating Revenues</b>	<b>2,993</b>	<b>-</b>	<b>-</b>	<b>2,993</b>
<b>Income (Loss) Before Transfers</b>	<b>35,431</b>	<b>(3,150)</b>	<b>-</b>	<b>32,281</b>
Transfers (out)	-	(39,600)	-	(39,600)
<b>Change in Net Position</b>	<b>35,431</b>	<b>(42,750)</b>	<b>-</b>	<b>(7,319)</b>
Beginning net position (as previously reported)	518,782	-	9,651	528,433
Fund reallocations	-	1,079,469	-	1,079,469
Beginning net position (as adjusted/restated)	518,782	1,079,469	9,651	1,607,902
<b>Ending Net Position</b>	<b>\$ 554,213</b>	<b>\$ 1,036,719</b>	<b>\$ 9,651</b>	<b>\$ 1,600,583</b>

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