

**CITY OF GLEN ROSE**

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**ANNUAL FINANCIAL AND COMPLIANCE REPORT**

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**YEAR ENDED SEPTEMBER 30, 2016**

**CITY OF GLEN ROSE**  
**TABLE OF CONTENTS**

	<u>Page</u>
<b>Financial Section</b>	
Independent Auditors' Report-----	1
Management's Discussion and Analysis -----	3
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position-----	10
Statement of Activities -----	11
Governmental Fund Financial Statements	
Balance Sheet – Governmental Funds -----	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position -----	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds -----	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities -----	15
Proprietary Fund Financial Statements	
Statement of Fund Net Position – Proprietary Funds -----	16
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds -----	17
Statement of Cash Flows – Proprietary Funds -----	18
Notes to Financial Statements -----	19
<b>Required Supplementary Information</b>	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund -----	39
Schedule of Changes in Net Pension Liability and Related Ratios - TMRS-----	40
Schedule of Contributions - TMRS -----	41
<b>Other Information Required by GAO</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> -----	42
Schedule of Findings and Responses -----	44
Schedule of Prior Audit Findings -----	46

## **FINANCIAL SECTION**

# Merritt, McLane & Hamby, P.C.

401 Cypress Street, Suite 303  
Abilene, TX 79601

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Glen Rose, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Glen Rose, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Glen Rose, Texas, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the required TMRS schedules on pages 3 through 9 and 39 through 41 be presented to supplement the basic financial statements. Such information,

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2017, on our consideration of the City of Glen Rose's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered the City's internal control over financial reporting and compliance.

*Merritt, McLane & Hamby, P.C.*  
**MERRITT, MCLANE & HAMBY, P.C.**

Abilene, Texas  
July 21, 2017

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Glen Rose's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on September 30, 2016. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City's total Net Position increased \$492,973 from prior year. Net position of our business-type activities increased \$543,502 (8.7%), after prior period adjustments. Net position of our governmental activities decreased \$50,529 or (0.4%), after prior period adjustments.
- During the year, the City's expenditures were \$50,529 more than the \$2,489,732 generated in taxes and other revenues for governmental programs.
- In the City's business-type activities, revenues were \$1,764,781, while expenses were \$1,221,279.
- The total cost of the City's programs was \$3,761,540, and no new programs were added during fiscal year 2016.
- The general fund reported fund balance of \$7,353,968.

### OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements and a federal award section.

#### *Government-wide Financial Statements*

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, cultural and recreational, and highways and streets. Business-type activities include water utilities, sewer services and sanitation services.

The City's financial reporting entity does not include the funds for which the City is not accountable (component unit). This organization, the Glen Rose Economic Development Corporation, is reported separately from the primary government though included in the City's overall reporting entity. This entity operates more independently to provide services directly to the citizens though the City remains accountable for their activities.

### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The City has two kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provides a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison statement for the general fund can be found in the required supplementary information. This statement demonstrates compliance with the city's adopted and final revised budget.

*Proprietary funds* are required in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as the water utilities, sewer and sanitation services. Internal service funds provide services and charge fees to customers within the city organization such as equipment services (repair and maintenance of City vehicles) and the print shop (mail and printing services for City departments). The City has no internal service funds.

Proprietary fund statements and statements for discretely presented component units (reporting is similar to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements with more detail for major enterprise funds.



## Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

### Financial Analysis of the City as a Whole

**Net Position.** As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole.

The City's net position at fiscal year-end is \$20,264,042. This is an increase of \$492,973 from last year's net position of \$19,771,069, after prior period adjustments. The following Table A-1 provides a summary of the City's net position at September 30, 2016 and 2015.

**Table A-1**  
**City of Glen Rose's Net Position**

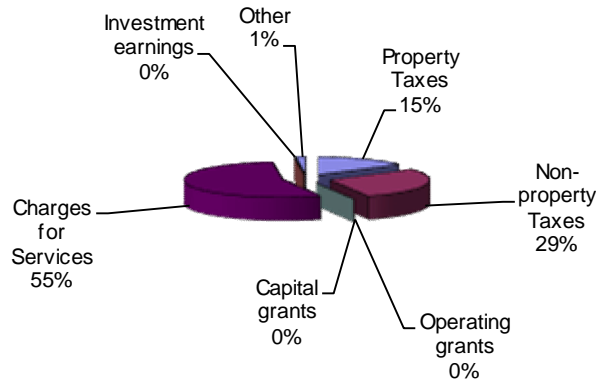
	Governmental Activities		Business-type Activities		Totals		Percentage Change
	2016	2015	2016	2015	2016	2015	
Current and Other Assets	\$ 7,582,056	\$ 8,010,280	\$ 5,058,638	\$ 1,300,674	\$ 12,640,694	\$ 9,310,954	35.76%
Capital and Non-Current Assets	8,935,724	8,754,363	5,660,401	5,518,743	14,596,125	14,273,106	2.26%
<b>Total Assets</b>	<b>16,517,780</b>	<b>16,764,643</b>	<b>10,719,039</b>	<b>6,819,417</b>	<b>27,236,819</b>	<b>23,584,060</b>	
<b>Deferred Outflows of Resources</b>	241,688	98,082	67,602	27,664	309,290	125,746	145.96%
Current Liabilities	153,581	217,325	185,476	292,937	339,057	510,262	-33.55%
Long Term Liabilities	3,039,404	3,102,114	3,809,086	326,361	6,848,490	3,428,475	99.75%
<b>Total Liabilities</b>	<b>3,192,985</b>	<b>3,319,439</b>	<b>3,994,562</b>	<b>619,298</b>	<b>7,187,547</b>	<b>3,938,737</b>	
<b>Deferred Inflows of Resources</b>	73,726		20,794		94,520		100.00%
Net Position							
Net Investment in Capital							
Assets	6,350,724	6,069,363	1,950,401	5,540,363	8,301,125	11,609,726	-28.50%
Restricted	68,645	39,990			68,645	39,990	71.66%
Unrestricted	7,073,388	7,433,933	4,820,884	687,420	11,894,272	8,121,353	46.46%
<b>Total Net Position</b>	<b>\$ 13,492,757</b>	<b>\$ 13,543,286</b>	<b>\$ 6,771,285</b>	<b>\$ 6,227,783</b>	<b>\$ 20,264,042</b>	<b>\$ 19,771,069</b>	

Net position in the City's governmental activities decreased 0.4% to \$13,492,757. Net position increased 8.7% to \$6,771,285 in business-type activities of the government. \$8,301,125 of the net position is invested in capital assets (distribution and collection system, equipment, etc.) net of long term debt, and \$68,645 restricted for the Convention and Visitors' Bureau. Consequently, unrestricted net position was \$11,894,272 at the end of this year.

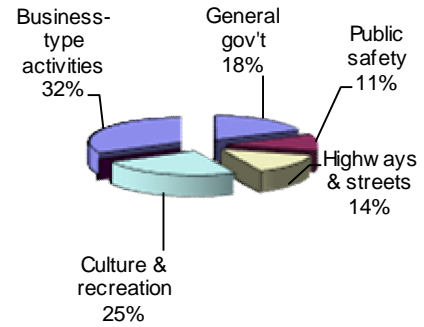
**Changes in Net Position.** The City's total revenues were \$4,254,513. Charges for services made up the largest portion of the City's revenue (55%) while 44 cents of every dollar raised comes from some type of tax. (See Figure A-1)

The total cost of all programs and services was \$3,761,540. The City's expenses cover a range of services, with nearly a third (or 32%) related to business-type activities. (See Figure A-2)

**Figure A-1**  
**City Sources of Revenue for Fiscal Year 2016**



**Figure A-2**  
**City Functional Expenses for Fiscal Year 2016**



### Governmental Activities

Revenues for the City's governmental activities were \$2,489,732, while total expenses were \$2,540,261. The City is increasing its tax base by bringing in new businesses and homes. The increase of new business adds revenue through two avenues; 1) property tax, and 2) sales tax.

**Table A-2**  
**Changes in City of Glen Rose, Texas' Net Position**

	Governmental Activities		Business-type Activities		Total		Total % Change
	2016	2015	2016	2015	2016	2015	
<b>Revenues</b>							
<u>Program Revenues</u>							
Charges for Services	\$ 584,046	\$ 633,921	\$ 1,737,221	\$ 1,480,718	\$ 2,321,267	\$ 2,114,639	9.77%
Capital/Operating Grants and Contributions		236,077		84,865		320,942	-100.00%
<u>General Revenues</u>							
Property tax	642,628	617,162			642,628	617,162	4.13%
Sales tax	737,367	728,913			737,367	728,913	1.16%
Right of way fees	148,069				148,069		100.00%
Occupancy tax	323,416	275,587			323,416	275,587	17.36%
Investment Earnings	4,718	1,455	2,558	2,643	7,276	4,098	77.55%
Other income	49,488	146,492	25,002		74,490	146,492	-49.15%
<b>Total Revenues</b>	<b>2,489,732</b>	<b>2,639,607</b>	<b>1,764,781</b>	<b>1,568,226</b>	<b>4,254,513</b>	<b>4,207,833</b>	
<b>Expenses</b>							
General Government	683,745	564,823			683,745	564,823	21.05%
Public Safety	412,599	345,436			412,599	345,436	19.44%
Highways and Streets	521,249	496,682			521,249	496,682	4.95%
Culture and Recreation	922,668	1,272,325			922,668	1,272,325	-27.48%
Water and Sewer			1,221,279	870,758	1,221,279	870,758	40.25%
<b>Total Expenses</b>	<b>2,540,261</b>	<b>2,679,266</b>	<b>1,221,279</b>	<b>870,758</b>	<b>3,761,540</b>	<b>3,550,024</b>	
Change in Net Position	(50,529)	(39,659)	543,502	697,468	492,973	657,809	

## **Governmental Funds**

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. Governmental funds reported ending fund balances of \$7,422,613.

The total ending fund balances of governmental funds show a decrease of \$369,768 over the prior year. This decrease is primarily the result of higher costs in the current year and increased capital outlay in the current year.

## **Major Governmental Funds**

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund decreased \$390,661. The key factors contributing to this decrease are additional capital outlay expenditures.

## **Proprietary Funds**

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

## **Major Proprietary Funds**

The City's major proprietary fund is the Utility Fund which consists of the water, sewer and sanitation services. Total net position at the end of the year was \$6,771,285. The Utility Fund had an increase in net position of \$543,502.

## **General Fund Budgetary Highlights**

The General Fund Budget for fiscal year 2016 was approximately \$2,650,000. This was an increase from the previous year's budget of approximately \$90,000.

The City amended its budget during the year for an increase in capital outlay.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2016, was \$8,935,724 and \$5,660,401, respectively. The total change in this net investment was an increase of 2.3% in the governmental and an increase of 2.6% for business-type activities. The overall increase was 2.4% for the City as a whole. The most significant capital asset addition during the current fiscal year was for street improvements. See Table A-3 for additional information about changes in capital assets during the fiscal year.

**Table A-3**  
**City's Capital Assets**

	Governmental Activities		Business-type Activities		Total		Total % Change
	2016	2015	2016	2015	2016	2015	
Land & improvements	\$ 1,426,697	\$ 1,426,697	\$ 67,337	\$ 67,337	\$ 1,494,034	\$ 1,494,034	0.00%
Construction in progress			962,603	602,546	962,603	602,546	59.76%
Buildings & improvements	1,425,458	1,395,878	57,943	57,943	1,483,401	1,453,821	2.03%
Machinery & equipment	952,783	952,783	653,662	631,662	1,606,445	1,584,445	1.39%
Infrastructure	7,557,633	7,153,212	8,687,576	8,687,576	16,245,209	15,840,788	2.55%
Total at historical cost	11,362,571	10,928,570	10,429,121	10,047,064	21,791,692	20,975,634	
Accumulated depreciation	2,426,847	2,191,883	4,768,720	4,528,321	7,195,567	6,720,204	7.07%
Net capital assets	<u>\$ 8,935,724</u>	<u>\$ 8,736,687</u>	<u>\$ 5,660,401</u>	<u>\$ 5,518,743</u>	<u>\$ 14,596,125</u>	<u>\$ 14,255,430</u>	

### Long-term Debt

At year-end, the City had \$6,295,000 in bonds payable. See Table A-4.

**Table A-4**  
**City's Outstanding Debt**

	2016	2015	Dollar Change	Total % Change
<b>Governmental Activities</b>				
General Obligation Refunding				
Bonds, Series 2010	2,585,000	2,685,000	(100,000)	-3.72%
	<u>2,585,000</u>	<u>2,685,000</u>		
<b>Business-type</b>				
Certificates of Obligation, Series 2013	\$ 190,000	\$ 220,000	\$ (30,000)	-13.64%
Certificates of Obligation, Series 2016	3,520,000		3,520,000	100.00%
	<u>\$ 3,710,000</u>	<u>\$ 220,000</u>	<u>\$ 3,490,000</u>	

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City is working on bringing residents into the City of Glen Rose by adding residential areas. By bringing in new residents, revenue of the City is increased through sales tax revenues and property tax revenues.

- Appraised value used for the 2016-2017 budget preparation increased slightly from prior years.
- Water, sewer and sanitation rates are expected to remain consistent with the fiscal year 2016.

These indicators were taken into account when adopting the general fund and utility fund budgets for 2017. Overall, expenditures are planned to increase slightly.

The General Fund expenditures are budgeted at \$3,137,950, which is an increase of \$587,177 from current year expenditures. The City has added no major new programs or initiatives to the 2017 budget, but has budgeted for some capital outlay in the upcoming year.

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

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Glen Rose's City Administrator, Glen Rose, Texas

## **BASIC FINANCIAL STATEMENTS**

**CITY OF GLEN ROSE**

**STATEMENT OF NET POSITION**

SEPTEMBER 30, 2016

<b>ASSETS</b>	<b>Primary Government</b>			<b>Economic Development Corporation</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
Current Assets				
Cash and cash equivalents	\$ 5,914,808	\$ 3,752,771	\$ 9,667,579	\$ 310,878
Investments	1,075,141	1,364,576	2,439,717	
Receivables, net	329,529	203,869	533,398	43,812
Due from other funds	262,578	(262,578)		
Note receivable - current				17,500
Total current assets	<u>7,582,056</u>	<u>5,058,638</u>	<u>12,640,694</u>	<u>372,190</u>
Non-current Assets				
Note receivable - long term				152,500
Capital assets:				
Land and improvements	1,426,697	67,337	1,494,034	
Infrastructure, net	6,170,244	4,463,325	10,633,569	
Buildings and improvements, net	1,017,244	37,471	1,054,715	
Machinery and equipment, net	321,539	129,665	451,204	
Construction in progress		962,603	962,603	
Total non-current assets	<u>8,935,724</u>	<u>5,660,401</u>	<u>14,596,125</u>	<u>152,500</u>
Total Assets	<u>16,517,780</u>	<u>10,719,039</u>	<u>27,236,819</u>	<u>524,690</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to TMRS	241,688	67,602	309,290	
Total Deferred Outflows of Resources	<u>241,688</u>	<u>67,602</u>	<u>309,290</u>	
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	34,665	38,524	73,189	
Payroll liabilities	9,618	2,540	12,158	
Accrued interest	4,298	4,412	8,710	
Bonds and notes payable - current	105,000	140,000	245,000	
Total current liabilities	<u>153,581</u>	<u>185,476</u>	<u>339,057</u>	
Non-current Liabilities				
Accrued compensated absences	47,427	4,877	52,304	
Utility deposits	77,711	111,723	189,434	
Net pension liability	434,266	122,486	556,752	
Bonds and notes payable - non current	2,480,000	3,570,000	6,050,000	
Total non-current liabilities	<u>3,039,404</u>	<u>3,809,086</u>	<u>6,848,490</u>	
Total Liabilities	<u>3,192,985</u>	<u>3,994,562</u>	<u>7,187,547</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to TMRS	73,726	20,794	94,520	
Total Deferred Inflows of Resources	<u>73,726</u>	<u>20,794</u>	<u>94,520</u>	
<b>NET POSITION</b>				
Net investment in capital assets	6,350,724	1,950,401	8,301,125	
Restricted	68,645		68,645	
Unrestricted	7,073,388	4,820,884	11,894,272	524,690
Total Net Position	<u>\$ 13,492,757</u>	<u>\$ 6,771,285</u>	<u>\$ 20,264,042</u>	<u>\$ 524,690</u>

*The accompanying notes are an integral part of this statement.*

**CITY OF GLEN ROSE**

**STATEMENT OF ACTIVITIES**  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for</u>	<u>Capital</u>
		<u>Services</u>	<u>grants and</u>
			<u>Contributions</u>
<b>Primary Government</b>			
Governmental Activities:			
General government	\$ 683,745	\$ 119,579	\$
Public safety	412,599	15,841	
Highways and streets	521,249		
Culture and recreation	922,668	448,626	
Total governmental activities	<u>2,540,261</u>	<u>584,046</u>	
Business-type Activities:			
Utility fund	<u>1,221,279</u>	<u>1,737,221</u>	
Total business-type activities	<u>1,221,279</u>	<u>1,737,221</u>	
Total Primary Government	\$ <u>3,761,540</u>	\$ <u>2,321,267</u>	\$
<b>Component Unit</b>			
Economic Development Corporation	\$ <u>209,586</u>		

General Revenues:

Taxes:

Property tax

Sales tax

Right of way fees

Beverage tax

Hotel/motel tax

Investment earnings

Miscellaneous income

Total general revenues and transfers

**Change in Net Position**

Net Position - Beginning

Prior period adjustment

Net Position - Beginning, As Restated

Net Position - Ending

*The accompanying notes are an integral part of this statement.*



Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
\$ (564,166)	\$	\$ (564,166)	
(396,758)		(396,758)	
(521,249)		(521,249)	
(474,042)		(474,042)	
<u>(1,956,215)</u>		<u>(1,956,215)</u>	
	515,942	515,942	
	515,942	515,942	
<u>(1,956,215)</u>	515,942	<u>(1,440,273)</u>	
			\$ <u>(209,586)</u>
642,628		642,628	
737,367		737,367	245,789
148,069		148,069	
10,834		10,834	
323,416		323,416	
4,718	2,558	7,276	2,508
38,654	25,002	63,656	
<u>1,905,686</u>	<u>27,560</u>	<u>1,933,246</u>	<u>248,297</u>
<u>(50,529)</u>	<u>543,502</u>	<u>492,973</u>	<u>38,711</u>
8,993,238	10,681,645	19,674,883	419,231
<u>4,550,048</u>	<u>(4,453,862)</u>	<u>96,186</u>	<u>66,748</u>
<u>13,543,286</u>	<u>6,227,783</u>	<u>19,771,069</u>	<u>485,979</u>
\$ <u>13,492,757</u>	\$ <u>6,771,285</u>	\$ <u>20,264,042</u>	\$ <u>524,690</u>

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**CITY OF GLEN ROSE**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2016

	<u>General</u>	<u>Convention and Visitors' Bureau</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Current:			
Cash and cash equivalents	\$ 5,817,022	\$ 97,786	\$ 5,914,808
Investments	1,072,218	2,923	1,075,141
Receivables			
Sales tax	134,151		134,151
Hotel occupancy tax		61,954	61,954
Property tax	63,980		63,980
Allowance for property tax	(26,531)		(26,531)
Court fines	16,458		16,458
Allowance for court fines	(11,289)		(11,289)
Other receivables	90,806		90,806
Due from other funds	351,198		351,198
Total Assets	\$ <u>7,508,013</u>	\$ <u>162,663</u>	\$ <u>7,670,676</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 29,452	\$ 5,213	\$ 34,665
Payroll liabilities	9,433	185	9,618
Customer deposits	77,711		77,711
Due to other funds		88,620	88,620
Total Liabilities	<u>116,596</u>	<u>94,018</u>	<u>210,614</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	<u>37,449</u>		<u>37,449</u>
Total Deferred Inflows of Resources	<u>37,449</u>		<u>37,449</u>
<b>FUND BALANCE</b>			
Restricted for promoting tourism, and convention and hotel industry		68,645	68,645
Unassigned	<u>7,353,968</u>		<u>7,353,968</u>
Total Fund Balance	<u>7,353,968</u>	<u>68,645</u>	<u>7,422,613</u>
Total Liabilities, Deferred Inflows, and Fund Balances	\$ <u>7,508,013</u>	\$ <u>162,663</u>	\$ <u>7,670,676</u>

*The accompanying notes are an integral part of this statement.*

**CITY OF GLEN ROSE**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

Total fund balances - governmental funds balance sheet	\$ 7,422,613
Amounts reported for governmental activities in the statement of net position (SNP) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$10,928,570 and the accumulated depreciation was \$2,191,883.	8,736,687
Current year capital outlays and dispositions are expenditures in the fund financial statements, but are shown as increases to capital assets in the SNP.	434,001
Depreciation expense decreases net position in SNP.	(234,964)
Included in the noncurrent liabilities is the recognition of the City's net position liability required by GASB 68 in the amount of \$434,266, a deferred resource inflow in the amount of \$73,726, and a deferred resource outflow in the amount of \$241,688. This resulted in a decrease in net position by \$266,304.	(266,304)
Long term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the fund financial statements. The beginning balance of long-term liabilities is \$2,685,000.	(2,685,000)
Long-term debt principal payments are expenditures in the fund financial statements but are shown as a reduction in long-term debt in the government-wide statements.	100,000
Compensated absences recorded in SNP but not fund financial statements.	(47,427)
Interest payable is recorded in the statement of net position. The balance decreases net position.	(4,298)
Various other reclassifications and eliminations including recognizing unavailable revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.	<u>37,449</u>
Net position of governmental activities - statement of net position	\$ <u><u>13,492,757</u></u>

*The accompanying notes are an integral part of this statement.*

**CITY OF GLEN ROSE**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>General</u>	<u>Convention and Visitors' Bureau</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property tax	\$ 644,797	\$	\$ 644,797
Sales tax	737,367		737,367
Gross receipt tax	148,069		148,069
Beverage tax	10,834		10,834
Hotel/motel tax		323,416	323,416
Licenses and permits	21,011		21,011
Fines and forfeitures	61,858		61,858
Charges for services	75,001	12,225	87,226
Intergovernmental	57,721		57,721
Investment income	4,657	61	4,718
Rental income	361,400		361,400
Miscellaneous income	37,397	1,257	38,654
Total Revenues	<u>2,160,112</u>	<u>336,959</u>	<u>2,497,071</u>
<b>EXPENDITURES</b>			
Current:			
General government	708,778		708,778
Public safety	404,501		404,501
Highways and streets	752,323		752,323
Culture and recreation	685,171	316,066	1,001,237
Total Expenditures	<u>2,550,773</u>	<u>316,066</u>	<u>2,866,839</u>
Net Change in Fund Balances	<u>(390,661)</u>	<u>20,893</u>	<u>(369,768)</u>
Fund Balance - Beginning	3,184,667	39,990	3,224,657
Prior period adjustment	<u>4,559,962</u>	<u>7,762</u>	<u>4,567,724</u>
Fund Balance - Beginning, As Restated	<u>7,744,629</u>	<u>47,752</u>	<u>7,792,381</u>
Fund Balance - Ending	\$ <u><u>7,353,968</u></u>	\$ <u><u>68,645</u></u>	\$ <u><u>7,422,613</u></u>

*The accompanying notes are an integral part of this statement.*

**CITY OF GLEN ROSE**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Total change in fund balance - total governmental funds	\$ (369,768)
Amounts reported for governmental activities in the statement of activities (SOA) are different because:	
Depreciation expense is not recorded in the fund financial statements.	(234,964)
Capital outlay is recorded as an expenditure in the fund financial statements, but as an asset in the SNP.	434,001
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of December 31, 2015 caused the change in the ending net position to increase in the amount of \$88,567. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$76,772. The City's reported TMRS net pension expense had to be recorded. The net pension expense decreased the change in net position by \$25,633. The result of these changes is to decrease the change in net position by \$13,838.	(13,838)
Long-term debt principal payments are expenditures in the fund financial statements but they are shown as a reduction in the long-term debt in the government-wide statements.	100,000
Interest payable is recorded in the statement of net position. The change in the balance is to increase net position.	22,240
Compensated absences is recorded in the statement of net position. The change in the balance is to increase net position.	19,139
Various other reclassifications and eliminations including recognizing unavailable revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.	<u>(7,339)</u>
Change in net position governmental activities - statement of activities	\$ <u><u>(50,529)</u></u>

*The accompanying notes are an integral part of this statement.*

**PROPRIETARY FUND FINANCIAL STATEMENTS**

**CITY OF GLEN ROSE**

**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS**

SEPTEMBER 30, 2016

	Utility Fund	Total Enterprise Funds
<b>ASSETS</b>		
Current:		
Cash and cash equivalents	\$ 3,752,771	\$ 3,752,771
Investments	1,364,576	1,364,576
Accounts receivable, net	203,869	203,869
Total current	<u>5,321,216</u>	<u>5,321,216</u>
Non current:		
Land and land improvements	67,337	67,337
Construction in progress	962,603	962,603
Infrastructure, net	4,463,325	4,463,325
Buildings and improvements, net	37,471	37,471
Machinery and equipment, net	129,665	129,665
Total non current	<u>5,660,401</u>	<u>5,660,401</u>
<b>TOTAL ASSETS</b>	<u>10,981,617</u>	<u>10,981,617</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to TMRS	<u>67,602</u>	<u>67,602</u>
Total Deferred Outflows of Resources	<u>67,602</u>	<u>67,602</u>
<b>LIABILITIES</b>		
Current		
Accounts payable	38,524	38,524
Payroll liabilities	2,540	2,540
Due to other funds	262,578	262,578
Accrued interest payable	4,412	4,412
Bonds payable - current	140,000	140,000
Total current	<u>448,054</u>	<u>448,054</u>
Non current:		
Accrued compensated absences	4,877	4,877
Customer deposits	111,723	111,723
Net pension liability	122,486	122,486
Bonds payable	3,570,000	3,570,000
Total non current	<u>3,809,086</u>	<u>3,809,086</u>
<b>TOTAL LIABILITIES</b>	<u>4,257,140</u>	<u>4,257,140</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to TMRS	<u>20,794</u>	<u>20,794</u>
Total Deferred Inflows of Resources	<u>20,794</u>	<u>20,794</u>
<b>NET POSITION</b>		
Net investment in capital assets	1,950,401	1,950,401
Unrestricted	4,820,884	4,820,884
<b>TOTAL NET POSITION</b>	<u>\$ 6,771,285</u>	<u>\$ 6,771,285</u>

*The accompanying notes are an integral part of this statement.*



**CITY OF GLEN ROSE**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Utility Fund	Total Enterprise Funds
Operating Revenues:		
Water services	\$ 1,068,386	\$ 1,068,386
Sewer services	509,164	509,164
Sanitation services	159,671	159,671
Miscellaneous revenue	25,002	25,002
Total operating revenues	<u>1,762,223</u>	<u>1,762,223</u>
Operating Expenses:		
Water department	789,956	789,956
Sewer department	149,479	149,479
Waste water treatment plant	219,259	219,259
Total operating expenses	<u>1,158,694</u>	<u>1,158,694</u>
Net operating income	<u>603,529</u>	<u>603,529</u>
Nonoperating income/(expense):		
Interest income	2,558	2,558
Interest expense	<u>(62,585)</u>	<u>(62,585)</u>
Total nonoperating income/(expenses)	<u>(60,027)</u>	<u>(60,027)</u>
Change in Net Position	<u>543,502</u>	<u>543,502</u>
Net Position - Beginning of Year	10,681,645	10,681,645
Prior period adjustment	<u>(4,453,862)</u>	<u>(4,453,862)</u>
Net Position - Beginning of Year, As Restated	<u>6,227,783</u>	<u>6,227,783</u>
Net Position - End of Year	<u>\$ 6,771,285</u>	<u>\$ 6,771,285</u>

*The accompanying notes are an integral part of this statement.*

**CITY OF GLEN ROSE**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Utility Fund	Total Enterprise Funds
<u>Cash flows from operating activities:</u>		
Cash received from customers	\$ 1,727,308	\$ 1,727,308
Cash payments to suppliers for goods and services	(1,094,082)	(1,094,082)
Cash payments for employees services and benefits	(301,347)	(301,347)
Net cash provided by operating activities	<u>331,879</u>	<u>331,879</u>
<u>Cash flows from noncapital financing activities:</u>		
Pension funding	4,469	4,469
Net cash provided by noncapital financing activities	<u>4,469</u>	<u>4,469</u>
<u>Cash flows from capital and related financing activities:</u>		
Principal paid on bonds payable	(30,000)	(30,000)
Proceeds from sale of bonds	3,520,000	3,520,000
Interest expense	(62,585)	(62,585)
Acquisition of property and equipment	(382,057)	(382,057)
Net cash provided by capital and related financing activities	<u>3,045,358</u>	<u>3,045,358</u>
<u>Cash flows from investing activities:</u>		
Purchase of investments	(1,364,576)	(1,364,576)
Interest earned	2,558	2,558
Net cash used by investing activities	<u>(1,362,018)</u>	<u>(1,362,018)</u>
Net Increase in Cash	2,019,688	2,019,688
Cash at Beginning of Year	<u>1,733,083</u>	<u>1,733,083</u>
Cash at End of Year:	<u>\$ 3,752,771</u>	<u>\$ 3,752,771</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 603,529	\$ 603,529
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	240,399	240,399
(Increase) decrease in operating assets		
Receivables	(9,913)	(9,913)
Increase (decrease) in operating liabilities		
Accounts payable	1,976	1,976
Accrued compensated absences	(2,611)	(2,611)
Accrued payroll	2,540	2,540
Accrued interest	1,852	1,852
Unearned revenue	(129,525)	(129,525)
Due to other funds	(363,787)	(363,787)
Utility deposits	(12,581)	(12,581)
Net cash provided by operating activities	<u>\$ 331,879</u>	<u>\$ 331,879</u>

*The accompanying notes are an integral part of this statement.*

## CITY OF GLEN ROSE

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting framework and the more significant accounting principles and practices of the City of Glen Rose, Texas (City) are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2016.

*Pensions:* For purposes of measuring the net pension liability, 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.

#### Financial Reporting Entity – Basis of Reporting

The City operates as a Type A General Law Municipality under the laws of the State of Texas. The City is governed by an elected mayor and five-member governing council and provides the following services as authorized by its charter: public safety, highways and streets, culture and recreation, water, sewer, solid waste and general governmental services.

As required by the accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide statements to emphasize it is legally separate from the primary government.

The City has oversight responsibility for Glen Rose Economic Development Corporation, a governmental nonprofit corporation organized for the purpose of increasing employment opportunities and or public improvement projects. The Glen Rose Economic Development Corporation is included in the City's reporting entity as a discretely presented component unit. Additional financial information for Glen Rose Economic Development Corporation may be obtained from the finance department of the City.

#### Government-wide and Fund Financial Statements

##### *Government-wide financial statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. The primary government and component unit are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for uses of the City's services; and (2) capital grants and contributions which finance major construction projects. These revenues are subject to externally imposed

## CITY OF GLEN ROSE

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

##### *Fund financial statements*

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns.

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applied all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements reports using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, hotel/motel taxes, beverage taxes, property taxes, right of way (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income and expenses reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

##### Fund Types and Major Funds

##### *Governmental funds*

The City reports the following major governmental fund:

General Fund – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

## CITY OF GLEN ROSE

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

##### *Proprietary funds*

The City reports the following major enterprise fund:

Utility Fund – reports for revenues and expenses associated with water, sewer, and sanitation services for the citizens of the City.

##### Assets, Liabilities, and Net Position or Equity

##### *Cash and cash investments*

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

##### *Investments*

Investments are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Texas Local Government Investment Pool ("TexPool"). Investments for the City include certificates of deposit and investments in TexPool.

In accordance with state law, TexPool operates in conformity with all the requirements of the Securities and Exchange Commission's ("SEC") Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. TexPool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

##### *Inventory*

The costs in inventory are recorded as expenditures/expenses when purchased (purchase method).

##### *Capital assets, depreciation, and amortization*

The City's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund's financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with costs of \$5,000 or more, as purchase and construction outlays occur. The City chose to include the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities such as streets), regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in non-operating revenues and expenses in the proprietary funds and general revenues in the government-wide statements.

## CITY OF GLEN ROSE

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Estimated useful lives for depreciable assets are as follows:

Buildings and improvements	10-40 years
Machinery and equipment	10 years
Infrastructure	10-50 years

#### *Long-term debt*

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds from debt as other financing sources of the current period. Issuance costs and debt payments are reported as expenditures.

#### *Compensated Absences*

The City's policy permits employees to accumulate earned but unused personal time off (PTO) benefits. Employees earn up to 48 hours of PTO during their first year of employment. Employees with 1 to 2 years of employment can earn up to 144 hours of PTO each year. Employees with 3 to 10 years of employment can earn up to 184 hours of PTO each year. Employees with 11 to 15 years of employment can earn up to 224 hours of PTO each year. Employees with 16 or greater years of employment can earn up to 264 hours of PTO each year. Employees can accumulate a maximum of 240 hours of PTO. Unused PTO is paid upon termination of employment. PTO accrual for governmental activities and business-type activities are \$47,427 and \$4,877, respectively.

#### *Deferred Outflows / Inflows of Resources*

Deferred outflows of resources refer to the consumption of net assets that are applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets. The City has no amounts recorded as deferred outflows of resources in the governmental fund financial statements and \$241,688 and \$67,602 of deferred outflows related to TMRS in the government wide financial statements and proprietary funds statements, respectively.

Deferred inflows of resources refer to the acquisition of net assets that are applicable to a future reporting period. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Specifically for the current period, the difference in delinquent taxes receivable and the associated allowance for uncollectible taxes of \$37,449 is considered a deferred inflow of resources in the governmental fund financial statements, while \$20,794 and \$94,520 of deferred inflows related to TMRS is considered deferred inflow of resources in the proprietary funds and government wide financial statements, respectively.

#### *Fund Balance Classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

## CITY OF GLEN ROSE

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*Nonspendable* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City had no amounts classified as nonspendable at September 30, 2016.

*Restricted* – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Federal or state funds are restricted for a specific use only. The City had \$68,645 restricted for promoting tourism and for the convention and hotel industry at September 31, 2016.

*Committed* – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City has no amounts classified as committed at September 30, 2016.

*Assigned* – This classification includes amounts that are constrained by the City Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Council or through the Council delegating this responsibility to management through the budgetary process. The City has no funds classified as assigned at September 30, 2016.

*Unassigned* – This classification includes the residual fund balance for the General Fund. The unassigned also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

#### *Estimates*

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

#### **NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

##### Budgetary Information

##### *Budget policy and practice*

The City Manager submits an annual budget to the City Council in accordance with the State of Texas. The budget is presented to the City Council for review, and public hearings are held to address citizen concerns. In September, the City Council adopts the annual fiscal year

## CITY OF GLEN ROSE

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - continued**

budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

##### *Basis of budgeting*

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: general governmental services, public safety, highways and streets, culture and recreation. Budget revisions at this level are subject to final review by the City Council.

Budgets for the governmental funds operations are prepared on the modified accrual basis of accounting. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the expenditure is incurred. The budget and actual financial statements are reported on this basis.

#### **NOTE 3: DEPOSITS AND INVESTMENTS**

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

##### Cash Deposits

The City's cash deposits were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name at September 30, 2016.

##### Investments

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

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

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds.



## CITY OF GLEN ROSE

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 3: DEPOSITS AND INVESTMENTS - continued**

##### Fair Value

Generally accepted accounting principles require the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A fair value hierarchy exists for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example: interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally-developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

While management believes the City's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

For all assets and liabilities other than investments carrying value approximates fair value.

Investments are reported at fair value utilizing Level I inputs for TexPool.

# CITY OF GLEN ROSE

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3: DEPOSITS AND INVESTMENTS - continued

The City's investments at September 30, 2016 are as follows:

	Fair Value			Weighted Average Maturity (Days)	Standard & Poor's Rating
	General Fund	Utility Fund	Total		
TexPool	1,075,141	1,364,576	2,439,717	39	AAAm
	\$ 1,075,141	\$ 1,364,576	\$ 2,439,717		

#### Analysis of Specific Deposit and Investment Risks

- Credit Risk – the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.
- Custodial Credit Risk – Deposits and investments are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. At September 30, 2016, the City's deposits and investments were entirely collateralized and therefore, not exposed to custodial credit risk.
- Concentration of Credit Risk – the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy is to diversify its investments by security type and institution. The City invests only in TexPool. The City's concentration of credit risk is low.
- Interest rate risk – the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair values by limiting the maturity of investments to one year or less. The City monitors the interest rates to minimize the exposure to interest rate risk.
- Foreign Currency Risk – the risk that exchange rates will adversely affect the fair value of an investment. As of September 30, 2016, the City was not exposed to foreign currency risk.

### NOTE 4: RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE

#### Enterprise Receivables

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The allowance for uncollectible accounts is \$45,777 based on historical data.

Receivables at September 30, 2016 are shown as follows:

Primary government:	
Water fund utility services	\$ 249,646
Allowance for uncollectible accounts	(45,777)
Total primary government	\$ 203,869

# CITY OF GLEN ROSE

## NOTES TO FINANCIAL STATEMENTS

### **NOTE 4: RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE - continued**

#### Property Taxes Receivable, Deferred Revenue and Property Tax Calendar

Property taxes are levied by October 1<sup>st</sup> on the assessed value listed as of the prior January 1<sup>st</sup> 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<sup>st</sup> of the year following the year in which the tax is imposed. On January 1<sup>st</sup> of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible taxes receivable within the General Fund are based upon historical experience in collecting property taxes. Uncollectible property taxes are periodically reviewed and written off, but the city is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

In the governmental fund financial statements, property taxes receivable are recorded in the General Fund. At fiscal year-end, the receivables represent delinquent taxes receivable.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is received. Over time, substantially all property taxes are collected.

### **NOTE 5: NOTE RECEIVABLE**

Glen Rose Economic Development Corporation entered into a note agreement with Mestech, Inc. on May 7, 2013, in the amount of \$100,000 for the construction of office, warehouse, distribution, and manufacturing facilities. The note is a zero percent loan payable in annual payments of \$10,000. The loan matures on December 9, 2022.

Glen Rose Economic Development Corporation entered into a note agreement with VRC Enterprises, Inc on August 26, 2016, in the amount of \$100,000 for the construction of office, warehouse, and fabrication facilities. The note is a zero percent loan payable in quarterly payments of \$2,500. The loan matures on October 1, 2026.

### **NOTE 6: CAPITAL ASSETS**

The following schedule provides a summary of changes in capital assets:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,426,697	\$	\$	\$ 1,426,697
Total not being depreciated	1,426,697			1,426,697
Capital assets being depreciated				
Buildings & improvements	1,395,878	29,580		1,425,458
Machinery & equipment	952,783			952,783
Infrastructure	7,153,212	404,421		7,557,633
Total being depreciated	9,501,873	434,001		9,935,874

# CITY OF GLEN ROSE

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6: CAPITAL ASSETS – continued

Less accumulated depreciation for:

Buildings & improvements	(383,753)	(24,461)		(408,214)
Machinery & equipment	(567,049)	(64,195)		(631,244)
Infrastructure	(1,241,081)	(146,308)		(1,387,389)
Total accumulated depreciation	(2,191,883)	(234,964)		(2,426,847)
Total being depreciated, net	7,309,990	199,037		7,509,027
Governmental activities total, net	\$ 8,736,687	\$ 199,037	\$	\$ 8,935,724

#### Business-type activities:

Capital assets not depreciated

Land	\$ 67,337	\$	\$ 67,337
Construction in progress	602,546	382,057	(22,000) 962,603
Total not being depreciated	669,883	382,057	(22,000) 1,029,940

Capital assets being depreciated

Buildings & improvements	57,943		57,943
Machinery & equipment	631,662	22,000	653,662
Infrastructure	8,687,576		8,687,576
Total being depreciated	9,377,181	22,000	9,399,181

Less accumulated depreciation for:

Buildings & improvements	(19,023)	(1,449)	(20,472)
Machinery & equipment	(496,222)	(27,775)	(523,997)
Infrastructure	(4,013,076)	(211,175)	(4,224,251)
	(4,528,321)	(240,399)	(4,768,720)
Total being depreciated, net	4,848,860	(218,399)	4,630,461
Business-type activities total, net	\$ 5,518,743	\$ 163,658	\$ (22,000) \$ 5,660,401

Total governmental-wide, net	\$ 14,255,430	\$ 362,695	\$ (22,000) \$ 14,596,125
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Depreciation was charged to functions as follows:

General government	\$ 6,692
Public safety	9,187
Highways and streets	174,716
Culture and recreation	44,369
Total depreciation expense - governmental activities	\$ 234,964

### NOTE 7: LONG-TERM BONDS PAYABLE

The bond payable balances at September 30, 2016 are as shown in the chart below:

#### Governmental Activities

In 2010, the City issued General Obligation Refunding Bonds, Series 2010 in the amount of \$3,020,000, to refund previously issued Certificates of Obligation. As of year-end, there are no bonds or certificates of obligation considered defeased and outstanding. Interest rates range from 2.00% to 4.25%. The Bonds mature on August 30, 2034.

Balance
\$ 2,585,000

Total Governmental Activities	\$ 2,585,000
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# CITY OF GLEN ROSE

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7: LONG-TERM BONDS PAYABLE - continued

#### Business-type Activities

In January 2013, the city issued Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2013 in the amount of \$370,000, to provide funds for the planning, acquisition and design costs related to wastewater system improvements. Interest rates range from 0.27% to 2.82%. The Certificates of Obligation mature on August 15, 2022.

\$ 190,000

In July 2016, the City issued Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2016 in the amount of \$3,520,000, pursuant to Subchapter C of Chapter 271, Texas Local Government Code, to finance the sewer and water supply project. Additionally, the Texas Water Development Board (TWDB) provided financial assistance of \$3,520,000 in the form of a grant. The interest rates range from .070% to 3.21%. The Certificates of Obligation mature on August 15, 2037.

3,520,000

Total Business-type Activities

\$ 3,710,000

The following provides a summary of changes in long-term debt and bonds payable:

	Balance at 9/30/2015	Additions	Retirements	Balance at 9/30/2016	Amount Due In One Year
<b>Governmental Activities</b>					
General Obligation Refunding					
Bonds, Series 2010	\$ 2,685,000		100,000	2,585,000	105,000
	<u>\$ 2,685,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 2,585,000</u>	<u>\$ 105,000</u>
<b>Business-type Activities</b>					
Certificates of Obligation, Series 2013	\$ 220,000		30,000	190,000	30,000
Certificates of Obligation, Series 2016		3,520,000		3,520,000	110,000
	<u>\$ 220,000</u>	<u>\$ 3,520,000</u>	<u>\$ 30,000</u>	<u>\$ 3,710,000</u>	<u>\$ 140,000</u>

Debt service for long-term debt is as follows:

Governmental Activities	Year	Principal	Interest	Total
	2017	\$ 105,000	\$ 103,150	\$ 208,150
	2018	105,000	100,000	205,000
	2019	110,000	96,850	206,850
	2020	115,000	92,450	207,450
	2021	120,000	87,850	207,850
	2022-2026	660,000	364,450	1,024,450
	2027-2031	805,000	221,250	1,026,250
	2032-2034	565,000	48,663	613,663
		<u>\$ 2,585,000</u>	<u>\$ 1,114,663</u>	<u>\$ 3,699,663</u>

# CITY OF GLEN ROSE

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7: LONG-TERM BONDS PAYABLE - continued

Business-type	2017	\$	140,000	\$	98,020	\$	238,020
	2018		145,000		88,919		233,919
	2019		150,000		87,409		237,409
	2020		150,000		85,635		235,635
	2021		150,000		83,599		233,599
	2022-2026		805,000		378,742		1,183,742
	2027-2031		900,000		286,865		1,186,865
	2032-2036		1,040,000		139,549		1,179,549
	2037		230,000		7,383		237,383
		\$	<u>3,710,000</u>	\$	<u>1,256,121</u>	\$	<u>4,966,121</u>

### NOTE 8: RISK MANAGEMENT – CLAIMS AND JUDGEMENTS

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The liability, professional liability, and worker's compensation insurance coverage is provided through the purchase of commercial insurance. The City retains risk on only a deductible amount. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage. The employee health care is also provided by commercial insurance with no risk retained by the city. Management has not been notified and is not aware of any significant claims not covered by insurance.

### NOTE 9: TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

#### Due To/ Due From

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as Due to or Due From Other Funds.

### NOTE 10: DEFINED BENEFIT PENSION PLAN

#### Plan Description

The City of Glen Rose participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

# CITY OF GLEN ROSE

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10: DEFINED BENEFIT PENSION PLAN - continued

#### Benefits Provided

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

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

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:

	2016	2015
Employee deposit rate	7%	7%
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	100% Repeating Transfer	100% Repeating Transfer
Annuity increase (to retirees)	70% of CPI	70% of CPI

#### *Employees covered by benefit terms.*

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	15
Active employees	23
Total	50

#### 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 Glen Rose were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Glen Rose were 14.21% and 15.60% in calendar years 2015 and 2016, respectively. The city's contributions to TMRS for the year ended September 30, 2016, were \$146,803, and were equal to the required contributions.

## CITY OF GLEN ROSE

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 10: DEFINED BENEFIT PENSION PLAN - continued**

##### Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

##### *Actuarial Assumptions*

The total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Because the city is considered a small city by TMRS, these percentages were reduced by 4% for a load of life factor to create a more conservative estimate. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved



# CITY OF GLEN ROSE

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10: DEFINED BENEFIT PENSION PLAN - continued

a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
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.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/14	\$ 3,197,042	\$ 2,747,621	\$ 449,421
Changes for the year:			
Service cost	176,861		176,861
Interest	222,569		222,569
Change in benefit terms	-		-
Difference between expected and actual experience	(124,432)		(124,432)
Changes of assumptions	30,587		30,587
Contributions - employer		130,937	(130,937)
Contributions - employee		65,853	(65,853)
Net investment income		4,055	(4,055)
Benefit payments, including refunds of employee contributions	(211,845)	(211,845)	-
Administrative expense		(2,469)	2,469
Other charges		(122)	122
Net changes	93,740	(13,591)	107,331
Balance at 12/31/15	\$ 3,290,782	\$ 2,734,030	\$ 556,752

# CITY OF GLEN ROSE

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10: DEFINED BENEFIT PENSION PLAN - continued

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability (asset)	\$ 1,034,967	\$ 556,752	\$ 169,591

#### Pension Plan Fiduciary Net Position

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

#### Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2016, the city recognized pension expense of \$166,375.

At September 30, 2016, the city reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 2,101	\$ 94,520
Changes in actuarial assumptions	23,234	
Difference between projected and actual investment earnings	170,411	
Contributions subsequent to the measurement date	113,544	
Total	\$ 309,290	\$ 94,520

\$113,544 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year Ended December 31:

2016	\$ 44,252
2017	44,252
2018	44,252
2019	44,252
2020	37,655
Thereafter	107
	\$ 214,770

## CITY OF GLEN ROSE

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 11: SUPPLEMENTAL DEATH BENEFITS FUND**

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

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

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

Schedule of Contribution Rates: (RETIREE-only portion of the rate)			
Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2012	0.11%	0.11%	100.0%
2013	0.11%	0.11%	100.0%
2014	0.14%	0.14%	100.0%
2015	0.13%	0.13%	100.0%
2016	0.08%	0.08%	100.0%

#### **NOTE 12: HEALTH CARE COVERAGE**

##### Employee Health Care Coverage

During the year ended September 30, 2016, employees of the City were covered by a health insurance plan (the Plan). Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

#### **NOTE 13: COMMITMENTS AND CONTINGENCIES**

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the city, there were 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 statement for such contingencies.

# CITY OF GLEN ROSE

## NOTES TO FINANCIAL STATEMENTS

### NOTE 14: UNFAVORABLE BUDGET VARIANCES

During the year ended September 30, 2016, the City had the following unfavorable budget variances:

General Fund:

General government \$ 77,039

Budget amounts were set at the beginning of the year based on prior year's actual amounts. Negative variances were a result of higher than expected expenditures. The City had ample funds to cover the additional costs. In addition, the City Council approved all the expenditures.

### NOTE 15: PRIOR PERIOD ADJUSTMENT

During the year the City became aware of several errors in the reporting of cash balances in the prior year. The following identifies these errors. In addition, the City capitalized some expenditures in error. See the following table:

Fund Financial Statements	General Fund	Utility Fund	Economic Development Corporation	CVB - Hotel Motel Fund
Cash account recorded in incorrect fund	\$ 4,449,880	\$ (4,449,880)	\$	\$
Receivable recorded in incorrect fund	(80,000)			
Beginning of year cash errors	190,082	(3,982)		7,762
Fund Financial Statement Adjustments	4,559,962	(4,453,862)	-	7,762
Government-wide Financial Statements				
Receivable recorded in incorrect fund			80,000	
Beginning of year cash errors	7,762		16,186	
Expenditure recorded as capital asset in error	(17,676)			
Government-wide Financial Statement Adjustments	\$ 4,550,048	\$ (4,453,862)	\$ 96,186	

### NOTE 16: NEW ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement replaces Statements No. 43 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25 *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50 *Pension Disclosures*. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74 *Financial*

## CITY OF GLEN ROSE

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 16: NEW ACCOUNTING PRONOUNCEMENTS - continued**

*Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement supersedes Statement No. 55 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. The City implemented this statement during the current year.

In August 2015, the GASB issued Statement No. 77 *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement. Agreement.

The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In December 2015, the GASB issued Statement No. 78 *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan.) This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In December 2015, the GASB issued Statement No. 79 *Certain External Investment Pools and Pool Participants*. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15,

## CITY OF GLEN ROSE

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 16: NEW ACCOUNTING PRONOUNCEMENTS - continued**

2015. The City has determined this Statement has no impact on its financial position, results of operations or cash flows.

In January 2016, the GASB issued Statement No. 80 *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in paragraph 53 of Statement No. 14. The requirements of this statement are effective for reporting periods beginning after June 15, 2016. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2016, the GASB issued Statement No. 81 *Irrevocable Split-Interest Agreements*. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2016, the GASB issued Statement No. 82 *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, No. 68, and No. 73. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF GLEN ROSE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
#REF!

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes				
Property tax	\$ 655,346	\$ 655,346	\$ 644,797	\$ (10,549)
Sales tax	730,000	730,000	737,367	7,367
Gross receipt tax	150,000	150,000	148,069	(1,931)
Beverage tax	7,500	7,500	10,834	3,334
Total taxes	<u>1,542,846</u>	<u>1,542,846</u>	<u>1,541,067</u>	<u>(1,779)</u>
Other				
Licenses and permits	30,000	30,000	21,011	(8,989)
Fines and forfeitures	55,450	55,450	61,858	6,408
Charges for services	101,800	101,800	75,001	(26,799)
Intergovernmental	57,000	57,000	57,721	721
Investment income	1,000	1,000	4,657	3,657
Rental income	356,900	356,900	361,400	4,500
Miscellaneous income	60,000	60,000	37,397	(22,603)
Total other	<u>662,150</u>	<u>662,150</u>	<u>619,045</u>	<u>(43,105)</u>
Total Revenues	<u>2,204,996</u>	<u>2,204,996</u>	<u>2,160,112</u>	<u>(44,884)</u>
<b>EXPENDITURES</b>				
General government	602,389	631,739	708,778	(77,039)
Public safety	450,016	450,016	404,501	45,515
Highways and streets	796,280	796,280	752,323	43,957
Culture and recreation	773,980	773,980	685,171	88,809
Total expenditures	<u>2,622,665</u>	<u>2,652,015</u>	<u>2,550,773</u>	<u>101,242</u>
Net change in fund balance	<u>(417,669)</u>	<u>(447,019)</u>	<u>(390,661)</u>	<u>56,358</u>
Fund Balance - Beginning	3,184,667	3,184,667	3,184,667	
Prior period adjustment	<u>4,559,962</u>	<u>4,559,962</u>	<u>4,559,962</u>	
Fund Balance - Beginning, as Restated	<u>7,744,629</u>	<u>7,744,629</u>	<u>7,744,629</u>	
Fund Balance - Ending	<u>\$ 7,326,960</u>	<u>\$ 7,297,610</u>	<u>\$ 7,353,968</u>	<u>\$ 56,358</u>



**CITY OF GLEN ROSE**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TMRS**  
Last 10 Years (will ultimately be displayed)

	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>		
Service cost	\$ 176,861	\$ 133,111
Interest (on the total pension liability)	222,569	209,657
Changes in benefit terms		
Difference between expected and actual experience	(124,432)	3,795
Change of assumptions	30,587	
Benefit payments, including refunds of employee contributions	<u>(211,845)</u>	<u>(156,120)</u>
Net Change in Total Pension Liability	93,740	190,443
 Total Pension Liability - Beginning	 <u>3,197,042</u>	 <u>3,006,599</u>
Total Pension Liability - Ending	<u><u>\$ 3,290,782</u></u>	<u><u>\$ 3,197,042</u></u>
 <b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 130,937	\$ 117,433
Contributions - employee	65,853	61,440
Net investment income	4,055	147,549
Benefit payments, including refunds of employee contributions	(211,845)	(156,120)
Administrative expense	(2,469)	(1,540)
Other	<u>(122)</u>	<u>(127)</u>
Net Change in Plan Fiduciary Net Position	(13,591)	168,635
 Plan Fiduciary Net Position - Beginning	 <u>2,747,621</u>	 <u>2,578,986</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 2,734,030</u></u>	<u><u>\$ 2,747,621</u></u>
 Net Pension Asset - Ending	 \$ 556,752	 \$ 449,421
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 83.08%	 85.94%
 Covered Employee Payroll	 \$ 940,753	 \$ 890,879
 Net Pension Asset as a Percentage of Covered Employee Payroll	 -59.18%	 -50.45%

**CITY OF GLEN ROSE**  
**SCHEDULE OF CONTRIBUTIONS - TMRS**  
Last 10 Fiscal Years (will ultimately be displayed)

	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 146,803	\$ 128,304
Contributions in relation to the actuarially determined contribution	\$ <u>(146,803)</u>	\$ <u>(128,304)</u>
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 975,973	\$ 909,946
Contribution as a percentage of covered employee payroll	15.04%	14.10%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

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	30 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**Other Information:**

Notes

There were no benefit changes during the year.

**OTHER INFORMATION REQUIRED BY GAO**

# Merritt, McLane & Hamby, P.C.

401 Cypress Street, Suite 303  
Abilene, TX 79601

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

To the City Council  
City of Glen Rose, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Glen Rose, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Glen Rose, Texas' basic financial statements, and have issued our report thereon dated July 21, 2017.

## **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses as identified as 2016-001, 2016-002 and 2016-003.

## **Compliance and Other Matters**

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

## **City of Glen Rose's Response to Findings**

The City of Glen Rose's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Glen Rose's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Merritt, McLane & Hamby, P.C." in a cursive, slightly stylized font.

**MERRITT, MCLANE & HAMBY, P.C.**

Abilene, Texas  
July 21, 2017

**CITY OF GLEN ROSE**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED SEPTEMBER 30, 2016**

**2016-001 Bank Reconciliations Not Performed Timely**

Condition:	Bank reconciliations were not performed timely on all bank accounts during the year.
Criteria:	Bank accounts need to be reconciled timely to provide complete and accurate accounting of all transactions. Timely reconciliations can help identify overspending and safeguard against fraud.
Cause:	Bank accounts not reconciled timely could cause the Council to make decisions they would not otherwise make if they have accurate and complete information.
Effect:	Bank accounts not reconciled timely could result in the Council receiving inaccurate and incomplete financial data.
Recommendation:	The auditors recommend that all bank accounts be reconciled on a monthly basis within 30 days of the receipt of the bank statement. Bank reconciliations should be reviewed and approved by an appropriate individual.
Management's Response:	Bank reconciliations on all bank accounts will be performed monthly by the Finance Director.

**2016-002 Pooled Cash Not Reconciled to the Funds Claims on Pooled Cash**

Condition:	Claim on pooled cash in the funds did not reconcile to the pooled cash in Fund 99 (Pooled Cash Fund).
Criteria:	Claim on pooled cash in the funds should equal the pooled cash balance in the pooled cash fund.
Cause:	The balance sheet for the funds are not accurate if the claim on pooled cash does not equal the pool cash fund.
Effect:	The information given to the Council is inaccurate and incomplete.
Recommendation:	The auditors recommend that the claim on pooled cash within the funds be reconciled to the cash balance in Fund 99 (Pooled Cash Fund).
Management's Response:	Claim on pooled cash will be reconciled to the Pooled Cash Fund monthly by the Finance Director.

**2016-003 Correctly Record Revenue Received to the Appropriate Account**

Condition:	Funds received for Oakdale Park and deposited into the Park bank account did not reconcile to the revenue recorded in the general ledger for the Park.
Criteria:	When funds are received for the specific park purposes, the funds are deposited into the park bank account and the appropriate revenue account code should be recorded.
Cause:	There was a large difference between what was deposited into the bank statement and what was recorded in the general ledger.

Effect: A reconciliation of what is deposited into the bank account and what is recorded could deter fraud and provide for complete and accurate information to the Council.

Recommendation: The auditors recommend a reconciliation be prepared to determine that all funds received for Park revenue be accounted for accurately and completely.

Management's Response: A reconciliation of all deposited funds will be prepared monthly by the Finance Director.

Contact: Chester Nolen, City Administrator  
254-897-2272

**CITY OF GLEN ROSE**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED SEPTEMBER 30, 2016**

**Findings/Noncompliance**

2015-001     Comment:    All employees in the finance office used the same cash register and were able to take payments and process receipts. In addition, one employee performs all HR and payroll functions.

Resolution: Procedures were put into place whereby a third party reconciled the drawer on a daily basis. In addition, the duties of HR and payroll functions are now separate with the City Secretary assuming the HR duties and the payroll functions are maintained by the Court Clerk. Payroll time sheets are reviewed and approved by the City Administrator prior to payment of payroll functions.

2015-002     Comment:    Bank reconciliations were not performed on all bank accounts within 30 days after receiving the month's bank statement.

Resolution: No resolution. Current year finding.

2016-003     Comment:    Several accounts, such as receivables and payables, were not reconciled to a sub-ledger throughout the year.

Resolution: Most balance sheet accounts are reconciled.