

Annual Financial Report

For the Year Ended
September 30, 2015



City of Groves

3947 Lincoln Avenue
Groves, Texas 77619
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City of Groves, Texas

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Groves, Texas (the "City"), as of and for the year ended September 30, 2015, 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

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 presentation of the financial statements.

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

Opinion

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, each major fund, and the aggregate remaining fund information of the City as of September 30, 2015 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note IV.G to the financial statements, during 2015, the City adopted new accounting guidance Governmental Accounting Standard Board "GASB" Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Correction of an Error

As discussed in Note IV.F to the financial statements, beginning fund balance and net position has been restated to reflect a correction of an error in the 2014 financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension plan information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about

the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

A handwritten signature in black ink that reads "Brooks Cardiel, PLLC". The signature is written in a cursive, flowing style.

BrooksCardiel, PLLC
Certified Public Accountants
The Woodlands, Texas
February 17, 2016

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

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City of Groves, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2015

As management of the City of Groves, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information contained in this report.

Financial Highlights

- The City's total combined net position was \$30,716,748 at September 30, 2015. Of this, \$1,129,990 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$730,831, a decrease of \$711,936.
- As of the end of the year, the unassigned fund balance of the general fund was \$318,206 or 4% of total general fund expenditures.
- The City had an overall increase in net position of \$39,129.
- The City closed the year with a net pension asset of \$550,355.

Overview of the Financial Statements

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

Government-Wide Statements

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving

City of Groves, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2015

rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

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

City of Groves, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2015

The City adopts an annual appropriated budget for its general, debt service, and economic development funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with their respective budget.

Proprietary Funds

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

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

Component Units

The City maintains the accounting and financial statements for one component unit. The Groves Economic Development Corporation, which is a blended component unit, is presented as a special revenue fund within the governmental fund financial statements.

Notes to Financial Statements

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

Other Information

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

City of Groves, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Groves, assets exceed liabilities by \$30,716,748 as of September 30, 2015, in the primary government.

The largest portion of the City's net position, \$28,089,689, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

The following table reflects the condensed Statement of Net Position:

	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,916,369	\$ 1,595,297	\$ 3,511,666	\$ 2,901,950	\$ 1,073,223	\$ 3,975,173
Net pension asset	416,175	134,180	550,355	399,275	128,731	528,006
Capital assets, net	10,852,540	27,519,260	38,371,800	11,436,882	28,597,892	40,034,774
Total Assets	13,185,084	29,248,737	42,433,821	14,738,107	29,799,846	44,537,953
Deferred Outflows of Resources	570,923	184,072	754,995	303,332	97,798	401,130
Other liabilities	560,874	860,277	1,421,151	908,859	761,151	1,670,010
Long-term liabilities	10,157,290	697,009	10,854,299	11,532,852	1,058,602	12,591,454
Total Liabilities	10,718,164	1,557,286	12,275,450	12,441,711	1,819,753	14,261,464
Deferred Inflows of Resources	148,681	47,937	196,618	-	-	-
Net Position:						
Net investment in capital assets	1,167,605	26,922,084	28,089,689	606,882	27,693,568	28,300,450
Restricted	1,226,754	270,315	1,497,069	1,136,717	226,529	1,363,246
Unrestricted	494,803	635,187	1,129,990	856,129	157,794	1,013,923
Total Net Position	\$ 2,889,162	\$ 27,827,586	\$ 30,716,748	\$ 2,599,728	\$ 28,077,891	\$ 30,677,619

City of Groves, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2015

Statement of Activities:

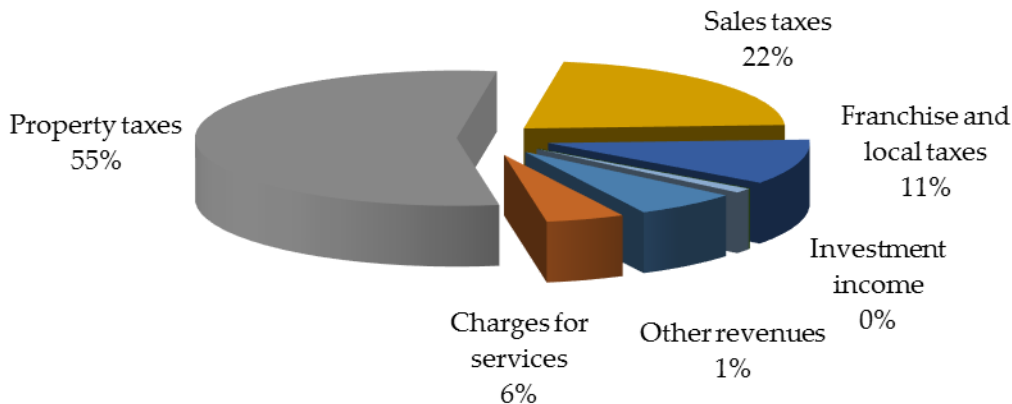
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2015			For the Year Ended September 30, 2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
			Primary Government			Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 593,406	\$ 5,688,179	\$ 6,281,585	\$ 552,915	\$ 5,224,180	\$ 5,777,095
Grants and contributions	444,760	-	444,760	2,819,607	-	2,819,607
General revenues:						
Property taxes	4,935,887	-	4,935,887	4,660,359	-	4,660,359
Sales taxes	1,985,690	-	1,985,690	1,904,855	-	1,904,855
Franchise and local taxes	989,116	-	989,116	948,858	-	948,858
Investment income	313	-	313	804	-	804
Other revenues	101,605	-	101,605	73,200	-	73,200
Total Revenues	9,050,777	5,688,179	14,738,956	10,960,598	5,224,180	16,184,778
Expenses						
General government	1,236,735	-	1,236,735	1,147,355	-	1,147,355
Public safety	4,770,023	-	4,770,023	4,197,633	-	4,197,633
Public works	2,267,210	-	2,267,210	2,687,448	-	2,687,448
Culture and recreation	565,964	-	565,964	661,173	-	661,173
Economic development	89,426	-	89,426	116,930	-	116,930
Interest and fiscal charges	387,032	33,936	420,968	442,289	46,611	488,900
Water & sewer	-	4,469,421	4,469,421	-	4,407,592	4,407,592
Solid waste	-	880,080	880,080	-	1,003,034	1,003,034
Total Expenses	9,316,390	5,383,437	14,699,827	9,252,828	5,457,237	14,710,065
Change in Net Position						
Before Transfers	(265,613)	304,742	39,129	1,707,770	(233,057)	1,474,713
Transfers	555,047	(555,047)	-	(2,696,436)	2,696,436	-
Total	555,047	(555,047)	-	(2,696,436)	2,696,436	-
Change in Net Position	289,434	(250,305)	39,129	(988,666)	2,463,379	1,474,713
Beginning Net Position	2,599,728	28,077,891	30,677,619	3,588,394	25,614,512	29,202,906
Ending Net Position	\$ 2,889,162	\$ 27,827,586	\$ 30,716,748	\$ 2,599,728	\$ 28,077,891	\$ 30,677,619

City of Groves, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2015

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

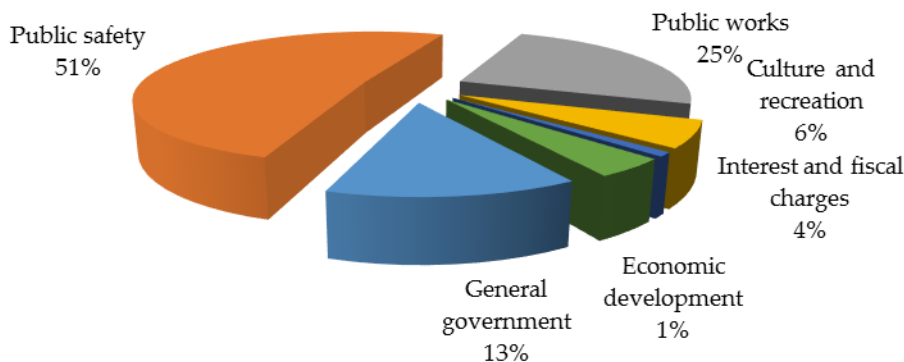
Governmental Activities - Revenues



For the year ended September 30, 2015, revenues from governmental activities totaled \$9,050,777. Property tax, sales tax and franchise tax are the City's largest revenue sources. Sales tax increased \$80,835 or 4% due to an overall recovery in the economy. Property tax increased by \$275,528 or 6% when compared to 2014 due to an increase in overall assessed property values and an increase in the property tax rate. Grants and contributions decreased by \$2,374,847 due to a significant decrease in Hurricane Ike disaster recovery funding and the lack of Port Security Grant revenue in the current year. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



For the year ended September 30, 2015, expenses for governmental activities totaled \$9,316,390. This represents an increase of \$63,562 or 1% from the prior year. The City's largest functional expense is

City of Groves, Texas

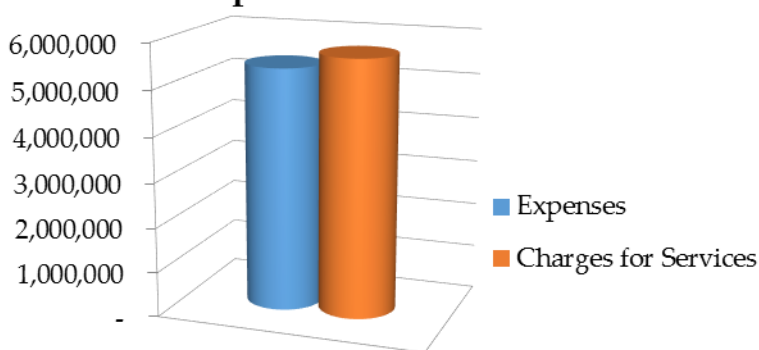
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2015

public safety of \$4,770,023 which increased by \$572,390 due to additional salary and contract expenditures. Public works expenditures totaled \$2,267,210 as of yearend for a decrease of \$420,238 or 16%. This decrease was directly related to Hurricane Ike related costs in the prior year. All other expenditures remained relatively consistent with the previous year.

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

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2015, charges for services by business-type activities totaled \$5,688,179. This is an increase of \$463,999, or 9%, from the previous year. This increase directly relates to an increase in the water and sewer rates.

Total expenses remained relatively consistent and posted a slight increase of \$63,562 or 1% during the year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the year the general fund reflected a total fund balance of \$342,494. Of this, \$24,288 is considered nonspendable due to inventory and prepaid assets. Unassigned fund balance totaled \$318,206 as of year end.

City of Groves, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2015

The debt service fund had an ending fund balance of \$4,192 at yearend for a decrease of \$8,640. Total principal and interest payments made during the year were \$1,321,200 and \$388,906, respectively.

There was an overall decrease in governmental fund balance of \$711,936 from the prior year. The decrease was primarily related to debt principal transfers out and utility assets purchased in the general fund.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive revenue variance of \$170,051 and a negative expenditure variance of \$27,692 for the year. Other financing sources (uses) had an overall negative budget variance of \$811,324. This negative variance was primarily the result of utility fund assets purchased in the general fund and transferred during the year. No supplemental budget amendments were made during the year.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$10,852,540 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$27,519,260 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Purchase of two police vehicles for a total of \$65,078
- Police Station/Courthouse improvements totaling \$101,749
- Purchase of utility system related equipment totaling \$82,468

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

LONG-TERM DEBT

At the end of the current year, the City had total bonds, notes, and leases outstanding of \$10,282,111. During the year, the City payments on the long-term debt of \$1,645,830. More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

City of Groves, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Groves and improving services provided to their public citizens. The City is budgeting for growth in the upcoming year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Groves' finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Finance Director, 3947 Lincoln Avenue, Groves, Texas 77619.

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FINANCIAL STATEMENTS

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City of Groves, Texas
STATEMENT OF NET POSITION
September 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 620,964	\$ 933,719	\$ 1,554,683
Investments	100,000	-	100,000
Receivables, net	1,171,117	514,187	1,685,304
Inventories	23,518	147,391	170,909
Prepays	770	-	770
Total Current Assets	1,916,369	1,595,297	3,511,666
Net pension asset	416,175	134,180	550,355
Capital assets:			
Non-depreciable	153,104	686,665	839,769
Net depreciable capital assets	10,699,436	26,832,595	37,532,031
	11,268,715	27,653,440	38,922,155
Total Assets	13,185,084	29,248,737	42,433,821
Deferred Outflows of Resources			
Pension contributions	302,273	97,456	399,729
Pension investment earnings	268,650	86,616	355,266
Total Deferred Outflows of Resources	570,923	184,072	754,995
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	532,156	219,834	751,990
Customer deposits	-	637,050	637,050
Accrued interest payable	28,718	3,393	32,111
	560,874	860,277	1,421,151
Noncurrent liabilities:			
Due within one year	1,847,983	373,816	2,221,799
Due in more than one year	8,309,307	323,193	8,632,500
	10,157,290	697,009	10,854,299
Total Liabilities	10,718,164	1,557,286	12,275,450
Deferred Inflows of Resources			
Pension (gains) losses	148,681	47,937	196,618
Total Deferred Inflows of Resources	148,681	47,937	196,618
Net Position			
Net investment in capital assets	1,167,605	26,922,084	28,089,689
Restricted for:			
Economic development	326,785	-	326,785
Enabling legislation	57,360	-	57,360
Debt service	4,192	-	4,192
Pensions	838,417	270,315	1,108,732
Unrestricted	494,803	635,187	1,129,990
Total Net Position	\$ 2,889,162	\$ 27,827,586	\$ 30,716,748

See Notes to Financial Statements.

City of Groves, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 1,236,735	\$ 112,760	\$ 444,760
Public safety	4,770,023	360,898	-
Public works	2,267,210	119,748	-
Culture and recreation	565,964	-	-
Economic development	89,426	-	-
Interest and fiscal charges	387,032	-	-
Total Governmental Activities	9,316,390	593,406	444,760
Business-Type Activities			
Water & Sewer	4,503,357	4,442,422	-
Solid Waste	880,080	1,245,757	-
Total Business-Type Activities	5,383,437	5,688,179	-
Total Primary Government	\$ 14,699,827	\$ 6,281,585	\$ 444,760

General Revenues:

Taxes

Property taxes

Sales taxes

Franchise and local taxes

Investment income

Other revenues

Gain (loss) on sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (679,215)	\$ -	\$ (679,215)
(4,409,125)	-	(4,409,125)
(2,147,462)	-	(2,147,462)
(565,964)	-	(565,964)
(89,426)	-	(89,426)
(387,032)	-	(387,032)
<u>(8,278,224)</u>	<u>-</u>	<u>(8,278,224)</u>
-	(60,935)	(60,935)
-	365,677	365,677
-	304,742	304,742
<u>(8,278,224)</u>	<u>304,742</u>	<u>(7,973,482)</u>
4,935,887	-	4,935,887
1,985,690	-	1,985,690
989,116	-	989,116
313	-	313
9,005	-	9,005
92,600	-	92,600
555,047	(555,047)	-
<u>8,567,658</u>	<u>(555,047)</u>	<u>8,012,611</u>
289,434	(250,305)	39,129
2,599,728	28,077,891	30,677,619
<u>\$ 2,889,162</u>	<u>\$ 27,827,586</u>	<u>\$ 30,716,748</u>

City of Groves, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2015

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 340,300	\$ 4,192	\$ 276,472	\$ 620,964
Investments	100,000	-	-	100,000
Receivables, net	760,572	69,215	-	829,787
Due from other governments	341,330	-	-	341,330
Due from other funds	-	-	107,673	107,673
Inventories	23,518	-	-	23,518
Prepays	770	-	-	770
Total Assets	\$ 1,566,490	\$ 73,407	\$ 384,145	\$ 2,024,042
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 532,156	\$ -	\$ -	\$ 532,156
Customer deposits	-	-	-	-
Due to other funds	107,673	-	-	107,673
Total Liabilities	639,829	-	-	639,829
<u>Deferred Inflows of Resources</u>				
Unavailable revenue:				
Property tax	551,158	69,215	-	620,373
Fines and fees	33,009	-	-	33,009
Total Deferred Inflows of Resources	584,167	69,215	-	653,382
<u>Fund Balances</u>				
Nonspendable:				
Inventories	23,518	-	-	23,518
Prepays	770	-	-	770
Restricted for:				
Economic development	-	-	326,785	326,785
Enabling legislation	-	-	57,360	57,360
Debt service	-	4,192	-	4,192
Unassigned reported in:				
General fund	318,206	-	-	318,206
Total Fund Balances	342,494	4,192	384,145	730,831
Total Liabilities and Fund Balances	\$ 982,323	\$ 4,192	\$ 384,145	\$ 1,370,660

See Notes to Financial Statements.

City of Groves, Texas

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

September 30, 2015

Fund Balances - Total Governmental Funds	\$	730,831
 Adjustments for the Statement of Net Position:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable		153,104
Capital assets - net depreciable		10,699,436
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property tax receivable		620,373
Fines and fees receivable		33,009
Net pension asset		416,175
 Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.		
Pension contributions		302,273
Pension investment earnings		268,650
 Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.		
Pension (gains) losses		(148,681)
 Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.		
Accrued interest		(28,718)
Compensated absences		(472,355)
Bonds, notes, and capital leases		(9,684,935)
Net Position of Governmental Activities	\$	<u>2,889,162</u>

See Notes to Financial Statements.

City of Groves, Texas

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

For the Year Ended September 30, 2015

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property tax	\$ 4,166,494	\$ 703,992	\$ -	\$ 4,870,486
Sales tax	1,325,301	-	660,389	1,985,690
Franchise and local taxes	989,116	-	-	989,116
Intergovernmental	444,760	-	-	444,760
Charges for services	112,760	-	-	112,760
License and permits	119,748	-	-	119,748
Fines and forfeitures	350,461	-	3,797	354,258
Investment income	291	17	5	313
Other revenue	8,100	-	905	9,005
Total Revenues	7,517,031	704,009	665,096	8,886,136
Expenditures				
Current:				
General government	1,249,015	-	-	1,249,015
Public safety	4,607,052	-	-	4,607,052
Public works	2,015,055	-	-	2,015,055
Culture and recreation	499,927	-	-	499,927
Economic development	-	-	89,426	89,426
Debt Service:				
Principal	17,482	1,321,200	-	1,338,682
Interest and fiscal charges	425	388,906	-	389,331
Capital outlay	143,216	-	-	143,216
Total Expenditures	8,532,172	1,710,106	89,426	10,331,704
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,015,141)	(1,006,097)	575,670	(1,445,568)
Other Financing Sources (Uses)				
Transfers in	1,120,000	1,123,232	-	2,243,232
Transfers (out)	(962,410)	(125,775)	(600,000)	(1,688,185)
Capital lease issuance	64,253	-	-	64,253
Gain (loss) on sale of capital assets	90,840	-	-	90,840
Insurance recoveries	23,492	-	-	23,492
Total	336,175	997,457	(600,000)	733,632
Net Change in Fund Balances	(678,966)	(8,640)	(24,330)	(711,936)
Beginning fund balances	1,021,460	12,832	408,475	1,442,767
Ending Fund Balances	\$ 342,494	\$ 4,192	\$ 384,145	\$ 730,831

See Notes to Financial Statements.

City of Groves, Texas

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

For the Year Ended September 30, 2015

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

Net changes in fund balances - total governmental funds	\$	(711,936)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		216,320
Depreciation expense		(778,930)
Net effect of capital disposals and transfers		(21,732)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		72,041
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		101,133
Accrued interest		2,299
Pension expense		135,810

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

Capital lease issuance		(64,253)
Principal payments		1,338,682

Change in Net Position of Governmental Activities	\$	289,434
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See Notes to Financial Statements.

City of Groves, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2015

	<u>Water & Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 210,325	\$ 723,394	\$ 933,719
Receivables, net	486,685	27,502	514,187
Inventories	147,391	-	147,391
Due from other funds	-	-	-
Total Current Assets	<u>844,401</u>	<u>750,896</u>	<u>1,595,297</u>
<u>Noncurrent Assets</u>			
Net pension asset	111,899	22,281	134,180
Capital assets:			
Non-depreciable	686,665	-	686,665
Net depreciable capital assets	26,563,884	268,711	26,832,595
Total Noncurrent Assets	<u>27,362,448</u>	<u>290,992</u>	<u>27,653,440</u>
Total Assets	<u>28,206,849</u>	<u>1,041,888</u>	<u>29,248,737</u>
<u>Deferred Outflows of Resources</u>			
Pension contributions	81,273	16,183	97,456
Pension investment earnings	72,233	14,383	86,616
Total Deferred Outflows of Resources	<u>153,506</u>	<u>30,566</u>	<u>184,072</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable and accrued liabilities	162,499	57,335	219,834
Customer deposits	637,050	-	637,050
Accrued interest	3,393	-	3,393
Total Current Liabilities	<u>802,942</u>	<u>57,335</u>	<u>860,277</u>
<u>Noncurrent Liabilities</u>			
Due within one year	365,599	8,217	373,816
Due in more than one year	322,280	913	323,193
Total Liabilities	<u>1,490,821</u>	<u>66,465</u>	<u>1,557,286</u>
<u>Deferred Inflows of Resources</u>			
Pension (gains) losses	39,977	7,960	47,937
Total Deferred Inflows of Resources	<u>39,977</u>	<u>7,960</u>	<u>47,937</u>
<u>Net Position</u>			
Net investment in capital assets	26,653,373	268,711	26,922,084
Restricted for pensions	225,428	44,887	270,315
Unrestricted	(49,244)	684,431	635,187
Total Net Position	<u>\$ 26,829,557</u>	<u>\$ 998,029</u>	<u>\$ 27,827,586</u>

See Notes to Financial Statements.

City of Groves, Texas

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

For the Year Ended September 30, 2015

	Water & Sewer	Solid Waste	Total
<u>Operating Revenues</u>			
Charges for services	\$ 4,442,422	\$ 1,233,770	\$ 5,676,192
Other revenue	-	11,987	11,987
Total Operating Revenues	4,442,422	1,245,757	5,688,179
<u>Operating Expenses</u>			
Personal services	1,578,210	321,990	1,900,200
Supplies	676,488	103,938	780,426
Contractual services	218,830	322,143	540,973
Repairs and maintenance	297,032	52,593	349,625
Utilities	269,359	2,607	271,966
Depreciation	1,429,502	76,809	1,506,311
Total Operating Expenses	4,469,421	880,080	5,349,501
Operating Income (Loss)	(26,999)	365,677	338,678
<u>Nonoperating Revenues (Expenses)</u>			
Interest expense	(33,936)	-	(33,936)
Total Nonoperating Revenues (Expenses)	(33,936)	-	(33,936)
Income (Loss) Before Transfers	(60,935)	365,677	304,742
Transfers in	439,953	-	439,953
Transfers (out)	(655,000)	(340,000)	(995,000)
Change in Net Position	(275,982)	25,677	(250,305)
Beginning net position	27,105,539	972,352	28,077,891
Ending Net Position	\$ 26,829,557	\$ 998,029	\$ 27,827,586

See Notes to Financial Statements.

City of Groves, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)
For the Year Ended September 30, 2015

	<u>Water & Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 4,269,719	\$ 1,339,676	\$ 5,609,395
Payments to suppliers	(1,402,934)	(480,328)	(1,883,262)
Payments to employees	(1,671,140)	(327,291)	(1,998,431)
Net Cash Provided by Operating Activities	<u>1,195,645</u>	<u>532,057</u>	<u>1,727,702</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfer in	439,953	-	439,953
Transfer (out)	(655,000)	(340,000)	(995,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(215,047)</u>	<u>(340,000)</u>	<u>(555,047)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Capital purchases	(427,678)	-	(427,678)
Principal paid on debt	(307,148)	-	(307,148)
Interest paid on debt	(35,897)	-	(35,897)
Net Cash (Used) by Capital and Related Financing Activities	<u>(770,723)</u>	<u>-</u>	<u>(770,723)</u>
Increase (Decrease) in Cash and Cash Equivalents	209,875	192,057	401,932
Beginning cash and cash equivalents	450	531,337	531,787
Ending Cash and Cash Equivalents	<u>\$ 210,325</u>	<u>\$ 723,394</u>	<u>\$ 933,719</u>

See Notes to Financial Statements.

City of Groves, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2015

	<u>Water & Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Reconciliation of Operating Income (Loss)</u>			
<u>to Net Cash Provided by Operating Activities</u>			
Operating Income (Loss)	\$ (26,999)	\$ 365,677	\$ 338,678
Adjustments to reconcile operating income (loss) to net cash provided:			
Depreciation	1,429,502	76,809	1,506,311
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(231,938)	93,919	(138,019)
Inventory	17,877	-	17,877
Net pension asset	(4,544)	(905)	(5,449)
Deferred Outflows of Resources:			
Pension contributions	285	57	342
Investment experience	(72,233)	(14,383)	(86,616)
Increase (Decrease) in:			
Accounts payable and accrued liabilities	40,898	953	41,851
Customer deposits	59,235	-	59,235
Compensated absences	(56,415)	1,970	(54,445)
Deferred Inflows of Resources:			
Actual experience vs. assumption	39,977	7,960	47,937
Net Cash Provided by Operating Activities	\$ 1,195,645	\$ 532,057	\$ 1,727,702

See Notes to Financial Statements.

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City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

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

B. Reporting Entity

The City of Groves, Texas, was incorporated in December 1952. The City operates under a "Council-Manager" government. Pursuant to its provisions and subject only to its limitations imposed by the State Constitution and by the City's charter, all powers of the City shall be vested in an elective Council composed of four Council Members and a Mayor, collectively known as the City Council. The City Council enacts local legislation, adopts budgets, determines policies, and appoints the City Manager, who in turn is responsible to the City Council for the execution of laws and the administration of the government of the City. The City Marshal is elected at-large by the citizens in Groves to manage the municipal court and police department. Departments and agencies of the City submit budget requirements to the Mayor. The Mayor is the presiding officer of the City Council. The City provides the following services as authorized by its charter: public safety, public works, parks and recreation, library, water and sewer and general administrative services.

The City is an independent political subdivision of the State of Texas governed by an elected council and is considered a primary government for financial reporting purposes as its activities are not considered a part of any other governmental or other type of reporting entity. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Groves Economic Development Corporation ("EDC") although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting

City of Groves, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2015

entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended Component Unit

Groves Economic Development Corporation

The Groves Economic Development Corporation is governed by a board of seven directors, all of whom are appointed by the City Council at its will. The board of directors is consists of four or more City Council members which gives the City control over voting matters. The GEDC is also obligated to pay a portion of the City's debt through sales tax revenue. The EDC fund was incorporated in the state of Texas as a nonprofit industrial development corporation under Section 4B of the Development Corporation Act of 1979. The purpose of the EDC is to promote economic and community development within the City of Groves. Separately audited financial statements are not issued.

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

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

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

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

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

The government reports the following major governmental funds:

General Fund

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

Debt Service Fund

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

Proprietary Fund Types

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

Water and Sewer Fund

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

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

Solid Waste Fund

This fund is used to account for the provision of garbage and brush removal services to the residents of the City. Activities of the fund include administration, operations and maintenance and contract garbage services. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

Additionally, the government reports the following fund types:

Special Revenue Funds

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

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

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

D. Measurement Focus and Basis of Accounting

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

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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

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

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

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

E. Estimates

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

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

1. Deposits and Investments

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

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

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

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

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

2. Receivables and Interfund Transactions

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

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

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

3. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

4. Inventories and Prepaid Items

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

5. Capital Assets

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

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

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

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

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 to 10 years
Machinery and equipment	5 to 10 years
Water & sewer system	15 to 40 years
Buildings and improvements	15 to 40 years
Roads	15 to 40 years

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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6. Deferred Outflows/Inflows of Resources

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

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

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

7. Net Position Flow Assumption

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

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

8. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

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

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

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

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

10. Compensated Absences

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

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

Sick leave accrues to eligible employees to specified maximums, including the maximum

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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number of hours that can be carried over from the previous year. Upon retirement or death, 50% of unused sick leave is paid to the employee. In addition, employees who are in good standing and continuously employed with the City since 1984 can have up to 960 hours of accrued sick leave compensated upon separation with the City.

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

11. Long-Term Obligations

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

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

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

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

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

12. Pensions

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

in the funds. Reconciling items have been presented on the balance sheet of governmental funds in the basic financial statements

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, EDC, water and sewer, and solid waste funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the fund level. No funds can be transferred or added to a budgeted fund without Council approval. Appropriations lapse at the end of the year. For the current year, expenditures exceeded appropriations at the legal level of control as follows:

General fund:		
Total expenditures		\$ 27,692
Transfers (out)		857,909
Economic development fund:		
Transfers (out)		\$ 125,000

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2015, the primary government had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Certificates of deposit	\$ 100,000	0.02
Total fair value	\$ 100,000	
Portfolio weighted average maturity		0.02

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

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

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The City's investment policy requires funds on bank deposit at the depository bank to be collateralized by securities with a collective market value (market value of the principal and accrued interest) of at least 102%. As of September 30, 2015, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession.

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

B. Receivables

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

	<u>General</u>	<u>Debt Service</u>	<u>Water & Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Property taxes	\$ 586,339	\$ 73,633	\$ -	\$ -	\$ 659,972
Sales tax	341,331	-	-	-	341,331
Franchise and other taxes	130,451	-	-	-	130,451
Fines and forfeitures	221,251	-	-	-	221,251
Other	12,943	-	-	-	12,943
Accounts	-	-	1,013,558	78,462	1,092,020
Allowance	(190,413)	(4,418)	(526,873)	(50,960)	(772,664)
	<u>\$ 1,101,902</u>	<u>\$ 69,215</u>	<u>\$ 486,685</u>	<u>\$ 27,502</u>	<u>\$ 1,685,304</u>

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

C. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 153,104	\$ -	\$ -	\$ 153,104
Construction in process	601,279	-	(601,279)	-
Total capital assets not being depreciated	<u>754,383</u>	<u>-</u>	<u>(601,279)</u>	<u>153,104</u>
Capital assets, being depreciated:				
Buildings and improvements	8,364,880	109,249	-	8,474,129
Machinery & equipment	4,095,576	107,071	-	4,202,647
Vehicles	3,275,339	-	-	3,275,339
Infrastructure	13,712,580	-	579,547	14,292,127
Total capital assets being depreciated	<u>29,448,375</u>	<u>216,320</u>	<u>579,547</u>	<u>30,244,242</u>
Less accumulated depreciation				
Buildings and improvements	(3,420,420)	(162,343)	-	(3,582,763)
Machinery & equipment	(2,470,064)	(251,305)	-	(2,721,369)
Vehicles	(1,829,976)	(180,870)	-	(2,010,846)
Infrastructure	(11,045,416)	(184,412)	-	(11,229,828)
Total accumulated depreciation	<u>(18,765,876)</u>	<u>(778,930)</u>	<u>-</u>	<u>(19,544,806)</u>
Net capital assets being depreciated	10,682,499	(562,610)	579,547	10,699,436
Total Net Capital Assets	<u>\$ 11,436,882</u>	<u>\$ (562,610)</u>	<u>\$ (21,732)</u>	<u>\$ 10,852,540</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 19,739
Public safety	374,153
Public works	299,858
Culture and recreation	85,180
Total Governmental Activities Depreciation Expense	<u>\$ 778,930</u>

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 677,865	\$ -	\$ -	\$ 677,865
Construction in progress	1,046,057	407,225	(1,444,482)	8,800
Total capital assets not being depreciated	<u>1,723,922</u>	<u>407,225</u>	<u>(1,444,482)</u>	<u>686,665</u>
Capital assets, being depreciated:				
Buildings and systems	33,791,531	-	788,325	34,579,856
Machinery and equipment	14,919,115	20,454	525,780	15,465,349
Total capital assets being depreciated	<u>48,710,646</u>	<u>20,454</u>	<u>1,314,105</u>	<u>50,045,205</u>
Less accumulated depreciation				
Buildings and systems	(11,539,910)	(931,512)	-	(12,471,422)
Machinery and equipment	(10,296,766)	(574,799)	130,377	(10,741,188)
Total accumulated depreciation	<u>(21,836,676)</u>	<u>(1,506,311)</u>	<u>130,377</u>	<u>(23,212,610)</u>
Net capital assets being depreciated	<u>26,873,970</u>	<u>(1,485,857)</u>	<u>1,444,482</u>	<u>26,832,595</u>
Total Net Capital Assets	<u><u>\$ 28,597,892</u></u>	<u><u>\$ (1,078,632)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 27,519,260</u></u>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 1,429,502
Solid waste	76,809
Total Business-type Activities Depreciation Expense	<u><u>\$ 1,506,311</u></u>

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

D. Long-term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Bonds and other payables:					
General Obligation Bonds	\$ 4,220,000	\$ -	\$ (990,000)	\$ 3,230,000	\$ 1,035,000
Certificates of Obligation	6,610,000	-	(285,000)	6,325,000	290,000
Tax Notes	129,364	-	(46,200)	83,164	83,164
Capital Leases	-	64,253	(17,482)	46,771	14,699
Other liabilities:					
* Compensated Absences	573,488	160,658	(261,791)	472,355	425,120
Total Governmental Activities	<u>\$ 11,532,852</u>	<u>\$ 224,911</u>	<u>\$ (1,600,473)</u>	<u>\$ 10,157,290</u>	<u>\$ 1,847,983</u>
Long-term liabilities due in more than one year				<u>\$ 8,309,307</u>	
Business-Type Activities:					
Bonds, leases, and other payables:					
Tax Notes	\$ 205,636	\$ -	\$ (118,800)	\$ 86,836	\$ 86,836
Capital Leases	698,688	-	(188,348)	510,340	197,130
Other liabilities:					
* Compensated Absences	154,278	36,669	(91,114)	99,833	89,850
Total Business-Type Activities	<u>\$ 1,058,602</u>	<u>\$ 36,669</u>	<u>\$ (398,262)</u>	<u>\$ 697,009</u>	<u>\$ 373,816</u>
Long-term liabilities due in more than one year				<u>\$ 323,193</u>	
* Restated					

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

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
General Obligation Bonds:			
\$10,855,000 General Obligation Bond, Series 2005, due in installments through 2018, interest at 3.25% to 4.00%	\$ 3,230,000	\$ -	\$ 3,230,000
Total General Obligation bonds	<u>\$ 3,230,000</u>	<u>\$ -</u>	<u>\$ 3,230,000</u>
Certificates of Obligation:			
\$715,000 Certificates of Obligation, Series 2004, due in annual installments through 2026, interest at 1.85% to 4.25%	\$ 460,000	\$ -	\$ 460,000
\$5,000,000 Certificates of Obligation, Series 2006, due in annual installments through 2026, interest at 3.65%	3,415,000	-	3,415,000
\$2,500,000 Certificates of Obligation, Series 2013, due in annual installments through 2033, interest at 2.60%	2,450,000	-	2,450,000
Total Certificates of Obligation	<u>\$ 6,325,000</u>	<u>\$ -</u>	<u>\$ 6,325,000</u>
Tax Notes			
\$890,000 Tax Note, Series 2010, due in installments through 2016, interest at 1.7% to 4.0%	\$ 83,164	\$ 86,836	\$ 170,000
Total Tax Notes	<u>\$ 83,164</u>	<u>\$ 86,836</u>	<u>\$ 170,000</u>
Capital Leases Payable:			
\$1,680,000 Capital lease payable to Chase Bank, due in annual installments of \$217,269 through 2017, interest at 4.6%	\$ -	\$ 510,340	\$ 510,340
\$64,253 Capital lease payable to Ford Motor Credit, due in annual installments of \$17,482 through 2014, interest at 5.95%	46,771	-	46,771
Total Capital Leases Payable	<u>\$ 46,771</u>	<u>\$ 510,340</u>	<u>\$ 557,111</u>
Compensated Absences	472,355	99,833	572,188
Total Debt	<u>\$ 10,157,290</u>	<u>\$ 697,009</u>	<u>\$ 10,854,299</u>

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

The annual requirements to amortize total government-wide debt issues outstanding at year ending were as follows:

Year ending September 30,	General Obligation Bonds		Certificates of Obligation		Tax Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,035,000	\$ 127,906	\$ 290,000	\$ 207,810	\$ 83,164	\$ 952
2017	1,075,000	87,800	300,000	198,133	-	-
2018	1,120,000	44,800	310,000	187,840	-	-
2019	-	-	430,000	177,038	-	-
2020	-	-	445,000	162,818	-	-
2021	-	-	455,000	147,933	-	-
2022	-	-	470,000	132,715	-	-
2023	-	-	490,000	116,775	-	-
2024	-	-	505,000	99,955	-	-
2025	-	-	525,000	82,430	-	-
2026	-	-	535,000	64,165	-	-
2027	-	-	505,000	45,305	-	-
2028	-	-	165,000	27,690	-	-
2029	-	-	170,000	23,400	-	-
2030	-	-	175,000	18,980	-	-
2031	-	-	180,000	14,430	-	-
2032	-	-	185,000	9,750	-	-
2033	-	-	190,000	4,940	-	-
Total	\$ 3,230,000	\$ 260,506	\$ 6,325,000	\$ 1,722,105	\$ 83,164	\$ 952

Year ending September 30,	Capital Lease		
	Principal	Interest	Total
2016	\$ 14,699	\$ 2,783	\$ 17,482
2017	15,573	1,908	17,481
2018	16,499	682	17,181
Total	\$ 46,771	\$ 5,373	\$ 52,144

The asset under capital lease had an original book value of \$64,253 and a current book value of \$54,786, net of depreciation.

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Tax Notes		Capital Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 86,836	\$ 2,448	\$ 197,130	\$ 20,139	\$ 283,966	\$ 22,587
2017	-	-	206,389	10,880	206,389	10,880
2018	-	-	53,089	1,228	53,089	1,228
2019	-	-	53,732	228	53,732	228
Total	<u>\$ 86,836</u>	<u>\$ 2,448</u>	<u>\$ 510,340</u>	<u>\$ 32,475</u>	<u>\$ 597,176</u>	<u>\$ 34,923</u>

The asset under capital lease had an original book value of \$1,680,000 and a current book value of \$662,524, net of depreciation.

E. Customer Deposits

The City had customer deposits of \$637,050 in the water and sewer fund as of year end. The City requires a refundable deposit for all new utility customers. This amount will be returned to the customer when utility service is discontinued and all outstanding utility expenses are paid.

F. Interfund Transactions

The compositions of interfund due to/from balances as of the year ended September 30, 2015 were as follows:

Due to:	Due from:	
	Nonmajor Governmental	Total
General	\$ 107,673	\$ 107,673
Total	<u>\$ 107,673</u>	<u>\$ 107,673</u>

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

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

Transfers between the primary government funds during the 2015 year were as follows:

<u>Transfer in:</u>	<u>Transfer out:</u>					<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Water & Sewer</u>	<u>Solid Waste</u>	
General	\$ -	\$ -	\$ 125,000	\$ 655,000	\$ 340,000	\$ 1,120,000
Debt Service	648,232	-	475,000	-	-	1,123,232
Water & Sewer	314,178	125,775	-	-	-	439,953
Total	\$ 962,410	\$ 125,775	\$ 600,000	\$ 655,000	\$ 340,000	\$ 2,683,185

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

IV. OTHER INFORMATION

A. Risk Management

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

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

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

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

B. Contingent Liabilities

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

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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

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

C. Arbitrage

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

D. Defined Benefit Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City of Groves, Texas participates as one of 860 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.

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

2. Benefits Provided

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

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

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

	<u>Plan Year 2014</u>	<u>Plan Year 2015</u>
Employee deposit rate	6%	6%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age / years of service)	60/10, 0/20	60/10, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

Employees covered by benefit terms

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

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

Inactive employees or beneficiaries currently receiving benefits	82
Inactive employees entitled to but not yet receiving benefits	25
Active employees	<u>96</u>
Total	<u>203</u>

3. Contributions

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

Employees for the City of Groves, Texas were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Groves, Texas were 9.69% and 9.58% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$555,555, and were equal to the required contributions.

4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year	
Overall payroll growth	3.0% per year	
Investment Rate of Return	7.0% net of pension plan 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 Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

City of Groves, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2015

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. 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.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	<u>5.0%</u>	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. 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

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
\$ 3,713,537	\$ (550,355)	\$ (4,125,873)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) – (b)
Balance at 12/31/13	\$ 34,171,034	\$ 34,699,040	\$ (528,006)
Changes for the year:			
Service cost	748,448	-	748,448
Interest	2,339,469	-	2,339,469
Difference between expected and actual experience	(245,549)	-	(245,549)
Contributions – employer	-	557,430	(557,430)
Contributions – employee	-	344,865	(344,865)
Net investment income	-	1,984,850	(1,984,850)
Benefit payments, including refunds of emp. contributions	(2,248,540)	(2,248,540)	-
Administrative expense	-	(20,724)	20,724
Other changes	-	(1,704)	1,704
Net changes	593,828	616,177	(22,349)
Balance at 12/31/14	\$ 34,764,862	\$ 35,315,217	\$ (550,355)

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.

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

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

For the year ended September 30, 2015, the City recognized pension expense of \$376,433.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and investment earnings	\$ 355,266	\$ -
Differences between expected and actual economic experience	-	196,618
Contributions subsequent to the measurement date	399,729	-
Total	\$ 754,995	\$ 196,618

The City reported \$399,729 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 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:	
2015	\$ 39,886
2016	39,886
2017	39,886
2018	39,884
2019	(894)
2020	-
Thereafter	-
	\$ 158,648

E. Employee Benefit Plans

1. Section 457 Plan

The City offers its employees a deferred compensation plan through the International City Management Association (ICMA), created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Prior to the passage of a City ordinance on December 16, 1996, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts or rights were (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provision of benefits under the plan). As a result of these terms, the City considered itself as an

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

agent of the plan acting in a fiduciary capacity and reflected this status in previous years' financial statements.

However, as mentioned above, the City of Groves, Texas passed an ordinance on December 16, 1996, whereby the City amended and restated the deferred compensation plan (the "Plan") in the form of the ICMA Retirement Corporation Deferred Compensation Plan and Trust. The assets of the Plan shall be held in trust for the exclusive benefit of the Plan participants and their beneficiaries, and the assets shall not be diverted to any other purpose. The beneficial ownership of Plan assets held in the ICMA Retirement Trust shall be held for the participants and their beneficiaries, and not subject to the claims of the City's general creditors.

2. Section 401 Plan

The City offers its employees options under two separate qualified defined contribution retirement plans which meet the requirements of Section 401(a) of the Internal Revenue Code. The City has selected ICMA Retirement Corporation, an agent multiple-employer public employee retirement program, as the administrator for the employee 401(a) retirement programs.

- (1) Section 401 Money Purchase Plan - Each participant has a plan account to which they may contribute up to 8% of qualified earnings on a pretax basis with the City matching 4%. Employee contributions, employer contributions, and earnings are not taxed until they are withdrawn. Participants may choose from a variety of mutual funds available in which to invest. Participants are always fully vested in their own contributions and the earnings on those contributions. Participant vesting in employer contributions are based on years of service.
- (2) Section 401 Profit Sharing Plan - Each participant has a plan account to which he/she may contribute up to 8% of qualified earnings on an after-tax basis, with the City matching one-half up to 4% of employee earnings. Earnings on plan contributions are not taxed until withdrawn.

	Current Year
401 Money Purchase Plan	
Employee Contributions	\$ 96,074
Employer Contributions	48,037
Total	\$ 144,111
401 Profit Sharing	
Employee Contributions	\$ 141,924
Employer Contributions	70,962
Total	\$ 212,886

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

F. Restatement

The City has restated beginning fund balance/net position within governmental activities, business-type activities, general, and water & sewer, and solid waste funds due to a change in the reporting of accruals and the implementation of a new accounting pronouncement. The restatement of beginning net position/fund balance is as follows:

	Governmental Activities	General
Prior year ending net position/ fund balance as reported	\$ 2,012,103	\$ 852,291
Change in reporting of compensated absences	110,190	-
Change in reporting of franchise tax accrual	169,169	169,169
Change in reporting of net pension obligation	702,607	-
Change in reporting of deferred fines and fees	(394,341)	-
Restated beginning net position/fund balance	\$ 2,599,728	\$ 1,021,460

	Business-type Activities	Water & Sewer	Solid Waste
Prior year ending net position as reported	\$ 27,961,552	\$ 27,026,816	\$ 934,736
Change in reporting of compensated absences	(110,190)	(110,190)	-
Change in reporting of net pension obligation	226,529	188,913	37,616
Restated beginning net position	\$ 28,077,891	\$ 27,105,539	\$ 972,352

G. New Accounting Pronouncements

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As part of GASB 68 the City is required to record its net funded pension liability.

GASB also issued Statement No. 69, entitled *Government Combinations and Disposals of Government Operation*, and GASB Statement No. 70, entitled *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Both statements were adopted this fiscal year but had no effect on these accompanying financial statements.

The GASB has issued Statement No. 72, entitled *Fair Value Measurement and Application*; Statement No. 73, entitled, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 74 entitled, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, entitled, *Accounting and Financial*

City of Groves, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

Reporting for Postemployment Benefits Other Than Pensions; GASB Statement No. 76; entitled, The Hierarchy of Generally Accepted Accounting Principles for State and Local Government; and GASB Statement No. 77; entitled, Tax Abatement Disclosures, which will require adoption in the future, if applicable. These statements may or will have a material effect on the City's financial statements once implemented. The City will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

H. Subsequent Events

There were no material subsequent events through February 17, 2016, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Groves, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2015

	Original and Final Budget	2015 Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Property tax	\$ 4,390,400	\$ 4,166,494	\$ (223,906)
Sales tax	1,303,500	1,325,301	21,801
Franchise and local taxes	1,150,000	989,116	(160,884)
Intergovernmental	20,480	444,760	424,280
Charges for services	148,400	112,760	(35,640)
License and permits	112,700	119,748	7,048
Fines and forfeitures	220,000	350,461	130,461
Investment income	1,500	291	(1,209)
Other revenue	-	8,100	8,100
Total Revenues	7,346,980	7,517,031	170,051
<u>Expenditures</u>			
Current:			
General government	1,187,577	1,249,015	(61,438)
Public safety	4,493,381	4,607,052	(113,671)
Public works	2,235,896	2,015,055	220,841
Culture and recreation	535,126	499,927	35,199
Debt Service:			
Principal	-	17,482	(17,482)
Interest and fiscal charges	-	425	(425)
Capital outlay	52,500	143,216	(90,716)
Total Expenditures	8,504,480	8,532,172	(27,692) *
Revenues Over (Under) Expenditures	(1,157,500)	(1,015,141)	142,359
<u>Other Financing Sources (Uses)</u>			
Transfers in	1,210,000	1,120,000	(90,000)
Transfers (out)	(104,501)	(962,410)	(857,909) *
Capital lease issuance	-	64,253	64,253
Gain (loss) on sale of capital assets	2,000	90,840	88,840
Insurance recoveries	40,000	23,492	(16,508)
Total Other Financing Sources (Uses)	1,147,499	336,175	(811,324)
Net Change in Fund Balance	\$ (10,001)	(678,966)	\$ (668,965)
Beginning fund balance		1,021,460	
Ending Fund Balance		\$ 342,494	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- *Expenditures exceeded appropriations at the legal level of control.

City of Groves, Texas

SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS

September 30, 2015

	2014	¹
Total pension liability		
Service cost	\$ 748,448	
Interest	2,339,469	
Changes in benefit terms	-	
Differences between expected and actual experience	(245,549)	
Changes of assumptions	-	
Benefit payments, including refunds of participant contributions	(2,248,540)	
Net change in total pension liability	593,828	
Total pension liability - beginning	34,171,034	
Total pension liability - ending (a)	34,764,862	
Plan fiduciary net position		
Contributions - employer	\$ 557,430	
Contributions - members	344,865	
Net investment income	1,984,850	
Benefit payments, including refunds of participant contributions	(2,248,540)	
Administrative expenses	(20,724)	
Other	(1,704)	
Net change in plan fiduciary net position	616,177	
Plan fiduciary net position - beginning	34,699,040	
Plan fiduciary net position - ending (b)	\$ 35,315,217	
Fund's net pension liability (asset) - ending (a) - (b)	\$ (550,355)	
 Plan fiduciary net position as a percentage of the total pension liability	 102%	
Covered employee payroll	\$ 5,747,747	
Fund's net position as a percentage of covered employee payroll	-10%	

Notes to schedule:

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

City of Groves, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

For the Year Ended September 30, 2015

	12/31/2014 ¹
Actuarially determined employer contributions	\$ 555,555
Contributions in relation to the actuarially determined contribution	\$ 555,555
Contribution deficiency (excess)	\$ -
Annual covered employee payroll	\$ 5,780,649
Employer contributions as a percentage of covered employee payroll	9.61%

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

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009

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
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Other Information:

Notes	There were no benefit changes during the year.
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***COMBINING STATEMENTS AND
INDIVIDUAL FUND SCHEDULES***

City of Groves, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2015

	Economic Development Corporation	Police Forfeitures	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 219,112	\$ 57,360	\$ 276,472
Due from other funds	107,673	-	107,673
Total Assets	\$ 326,785	\$ 57,360	\$ 384,145
<u>Liabilities</u>			
Accounts payable	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
<u>Fund Balances</u>			
Restricted for:			
Economic development	326,785	-	326,785
Public safety	-	57,360	57,360
Total Fund Balances	326,785	57,360	384,145
Total Liabilities and Fund Balances	\$ 326,785	\$ 57,360	\$ 384,145

City of Groves, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

	Economic Development Corporation	Police Forfeitures	Total
<u>Revenues</u>			
Sales tax	\$ 660,389	\$ -	\$ 660,389
Fines and forfeitures	-	3,797	3,797
Investment income	1	4	5
Other revenue	905	-	905
Total Revenues	661,295	3,801	665,096
<u>Expenditures</u>			
Economic development	89,426	-	89,426
Total Expenditures	89,426	-	89,426
Revenues Over Expenditures	571,869	3,801	575,670
<u>Other Financing Sources (Uses)</u>			
Transfers (out)	(600,000)	-	(600,000)
Total Other Financing (Uses)	(600,000)	-	(600,000)
Net Change in Fund Balances	(28,131)	3,801	(24,330)
Beginning fund balances	354,916	53,559	408,475
Ending Fund Balances	\$ 326,785	\$ 57,360	\$ 384,145

City of Groves, Texas
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended September 30, 2015

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Property tax	\$ 727,882	\$ 703,992	\$ (23,890)
Investment income	-	17	17
Total Revenues	727,882	704,009	(23,873)
 <u>Expenditures</u>			
Debt service:			
Principal	1,440,000	1,321,200	118,800
Interest	397,882	388,906	8,976
Total Expenditures	1,837,882	1,710,106	127,776
Revenues Over (Under) Expenditures	(1,110,000)	(1,006,097)	103,903
 <u>Other Financing Sources (Uses)</u>			
Transfers in	1,110,000	1,123,232	13,232
Transfers (out)	-	(125,775)	(125,775)
Total Other Financing Sources (Uses)	1,110,000	997,457	(112,543)
Net Change in Fund Balance	\$ -	(8,640)	\$ (8,640)
Beginning fund balances		12,832	
Ending Fund Balance		\$ 4,192	

Notes to Schedule:

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

City of Groves, Texas
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT FUND
For the Year Ended September 30, 2015

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Sales tax	\$ 650,000	\$ 660,389	\$ 10,389
Investment income	-	1	1
Other income	-	905	905
Total Revenues	650,000	661,295	11,295
 <u>Expenditures</u>			
Economic development	175,000	89,426	85,574
Total Expenditures	175,000	89,426	85,574
Revenues Over (Under) Expenditures	475,000	571,869	96,869
 <u>Other Financing Sources (Uses)</u>			
Transfers (out)	(475,000)	(600,000)	(125,000) *
Total Other Financing Sources (Uses)	(475,000)	(600,000)	(125,000)
Net Change in Fund Balance	\$ -	(28,131)	\$ (28,131)
Beginning fund balances		354,916	
Ending Fund Balance		\$ 326,785	

Notes to Schedule:

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

*Expenditures exceeded appropriations at the legal level of control.

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