



City Of Royse City, Texas

**Annual
Financial Report**

Fiscal Year Ended September 30, 2015

CITY OF ROYSE CITY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Carl Alsabrook
City Manager

Shannon Raymond
Director of Finance

THE CITY OF ROYSE CITY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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Financial Section

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Royse City, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Royse City, Texas 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

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Royse City, Texas, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-15 and 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Change in Accounting Principle

As discussed in Note IV. F. to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27. Our opinion is not modified with respect to this matter.

Putledge Cain & Company, PC

Arlington, Texas
February 26, 2016

Management's Discussion and Analysis

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CITY OF ROYSE CITY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015

As management of the City of Royse City ("City"), we offer the 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 read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred resources outflows of the City exceeded its liabilities and deferred resources inflows at the close of the fiscal year by \$13,771,912 (net position). Of this amount, \$3,704,059 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. A total of \$6,879,318, or 50% of total net position, is invested in capital assets which does not directly generate revenue and is not available to generate liquid capital. Net position restricted for specific purposes totals \$3,188,535 or 23% of total net position.
- The City's total net position increased by \$2,193,743, due to a significant decrease in long-term debt service from prior years and increase in governmental activities. This is reflective of the current year's increase in net position. Additionally, GASB Statement No. 68 was implemented in fiscal year 2015 which records net pension assets and/or liabilities, deferred outflows and inflows of resources, as well as pension expense and contributions.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$2,854,700, an increase of \$752,480 or 36%, in comparison with the restated prior year. The increase in combined ending fund balances is attributable to overall growth in revenues of 10%, or \$742,037. Approximately 35% of total fund balance, or \$993,270, is available for spending at the City's discretion (unassigned fund balance).
- At the close of the current fiscal year, the unassigned fund balance for the General Fund was \$993,270 or 15% of total General Fund expenditures. The increase in the total General Fund balance is largely due to increased revenues in growth related categories such as property tax, sales tax and permit collections; and is also indicative of Council commitment to achieve healthy fund balance levels.
- The City's total long-term debt decreased by \$1,148,028, or 5% during the current fiscal year.

Overview of Financial Statements

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

Basic Financial Statements

The first two statements (pages 19-21) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 22-28) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental fund statements and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes** (beginning on page 29). The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** (page 53) is provided to show budgetary information for the General Fund, and to provide details about the funding progress and contribution for the pension plan. **Supplemental Information** (pages 58-84) is also included to provide combining non-major fund financial statements and budgetary comparisons.

Government-wide Financial Statements

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

The Statement of Net Position presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue 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 the government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the City's basic services such as public safety, public services, parks and recreation, and general administration. Property taxes, sales taxes and franchise fees finance most of these activities. The business-type activities are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system activity are reported as business-type activities. The final category is the component unit. The City includes one separate legal entity in its report – the Royse City Community Development Corporation. Although legally separate, this "component unit" is important because the City is financially accountable for them.

The government-wide financial statements are on pages 19-21 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant funds. A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage funds for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City of Royse City, like other state and local governments, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City adopts an annual budget for its General Fund and Debt Service Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary schedule provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The Budgetary Comparison Schedule for the General Fund uses the modified accrual basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The schedule shows four columns: 1) original budget; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. The Governmental Fund financial statements can be found on pages 22-25 of this report. The General Fund Budgetary Comparison Schedule can be found on page 55.

CITY OF ROYSE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2015

Proprietary Funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in the proprietary funds. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, such as cash flows.

The City of Royse City maintains one individual proprietary fund: the Water and Sewer Fund.

The basic proprietary fund financial statements can be found on pages 26-28 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 29 of this report.

Required Supplemental Information – In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the progress in funding its obligation to provide pension benefits to its employees. This information begins on page 56 of this report.

The combining statements and budgetary comparison schedules for the nonmajor governmental funds can be found on pages 59-84 of this report.

**CITY OF ROYSE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2015**

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's combined net position was \$13,771,912 as of September 30, 2015. This analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$3,692,320	\$2,597,209	\$5,225,428	\$4,728,626	\$8,917,748	\$7,325,835
Capital assets	10,101,042	10,386,254	17,315,863	17,377,648	27,416,905	27,763,902
Total assets	13,793,362	12,983,463	22,541,291	22,106,274	36,334,653	35,089,737
Deferred resources outflows	320,598	133,523	41,312	17,206	361,910	150,729
Current liabilities	594,547	278,550	564,082	618,247	1,158,629	896,797
Long-term liabilities	8,377,721	8,773,933	13,368,165	13,991,567	21,745,886	22,765,500
Total liabilities	8,972,268	9,052,483	13,932,247	14,609,814	22,904,515	23,662,297
Deferred resources inflows	20,136	-	-	-	20,136	-
Net Position:						
Net investment in capital assets	2,556,883	2,398,378	4,322,435	2,902,634	6,879,318	5,301,012
Restricted	1,565,583	1,783,231	1,622,952	1,484,180	3,188,535	3,267,411
Unrestricted	999,090	(117,106)	2,704,969	3,126,852	3,704,059	3,009,746
Total Net Position	\$5,121,556	\$4,064,503	\$8,650,356	\$7,513,666	\$13,771,912	\$11,578,169

Almost 50% of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is 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 capital assets cannot be used to liquidate these liabilities.

An additional portion of the City's net position (23%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$3,704,059 or 27% may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF ROYSE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2015**

Governmental Activities

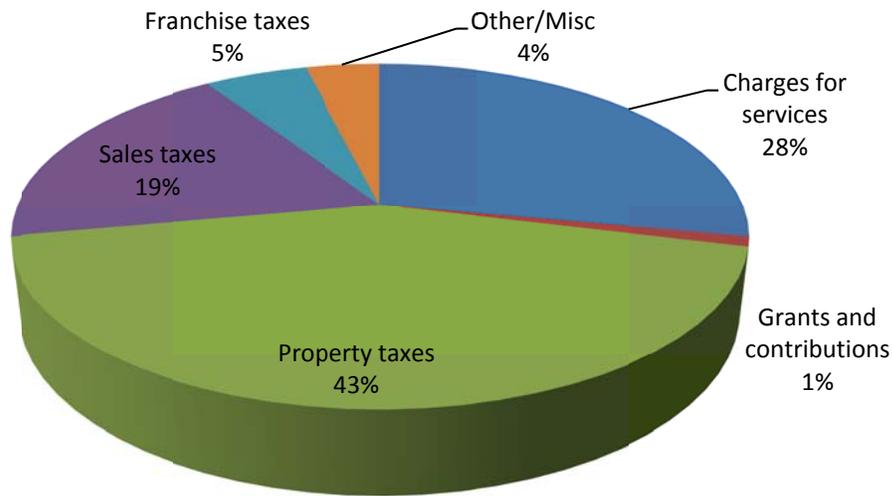
Governmental activities increased the City's net position by \$1,057,053, excluding prior period adjustments. Key elements of this increase are as follows in Table 2. The largest portion of the prior period adjustment (\$518,207) was related to the implementation of GASB Statement No. 68.

**Table 2
Change in Net Position**

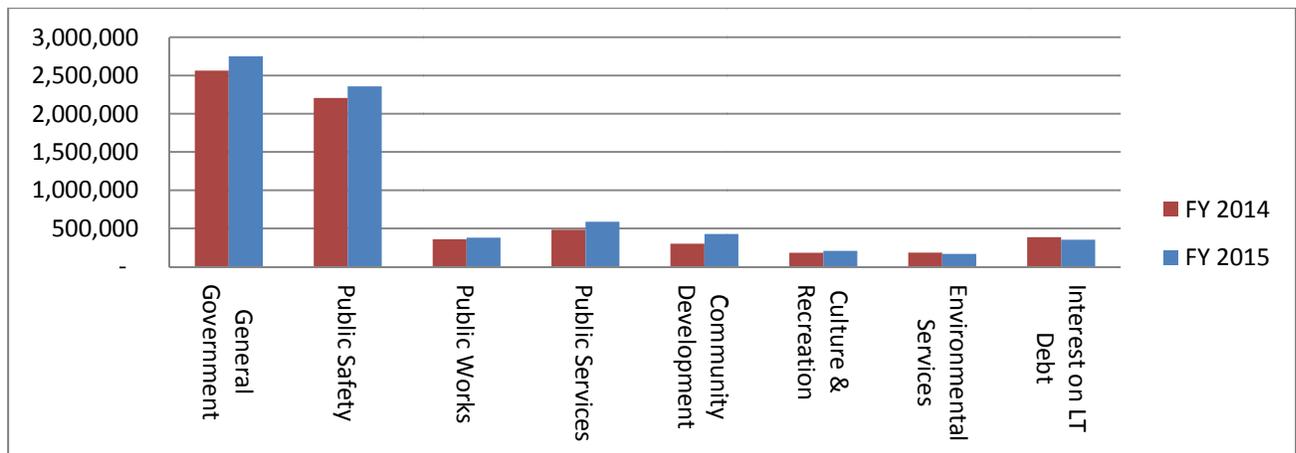
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for services	2,249,674	1,743,755	5,276,591	4,555,585	7,526,265	6,299,340
Operating grants and contributions	73,889	324,058	-	-	73,889	324,058
Capital grants and contributions	1,595	59,482	-	250,000	1,595	309,482
General Revenues:						
Property taxes	3,480,297	3,308,451	-	-	3,480,297	3,308,451
Sales taxes	1,503,191	1,305,245	-	-	1,503,191	1,305,245
Franchise taxes	429,083	403,893	-	-	429,083	403,893
Hotel/Motel taxes	80,254	78,341	-	-	80,254	78,341
Beverage taxes	3,879	3,064	-	-	3,879	3,064
Investment income	9,374	9,591	2,683	2,727	12,057	12,318
Gain on sale of capital asset	-	-	10,600	-	10,600	-
Miscellaneous	219,226	16,921	93,937	55,267	313,163	72,188
Total Revenues	<u>8,050,462</u>	<u>7,252,801</u>	<u>5,383,811</u>	<u>4,863,579</u>	<u>13,434,273</u>	<u>12,116,380</u>
Expenses:						
Program Expenses						
General government	2,749,735	2,564,156	-	-	2,749,735	2,564,156
Public safety	2,356,569	2,204,882	-	-	2,356,569	2,204,882
Public works	379,893	359,528	-	-	379,893	359,528
Public services	588,013	484,538	-	-	588,013	484,538
Community development	427,320	301,098	-	-	427,320	301,098
Culture and recreation	206,503	182,850	-	-	206,503	182,850
Environmental services	167,586	185,133	-	-	167,586	185,133
Interest on long-term debt	353,810	387,177	-	-	353,810	387,177
Water and sewer	-	-	4,011,101	3,998,592	4,011,101	3,998,592
Total Expenses	<u>7,229,429</u>	<u>6,669,362</u>	<u>4,011,101</u>	<u>3,998,592</u>	<u>11,240,530</u>	<u>10,667,954</u>
Change in net position						
before transfers	821,033	583,439	1,372,710	864,987	2,193,743	1,448,426
Transfers	236,020	236,021	(236,020)	(236,021)	-	-
Total change in net position	<u>1,057,053</u>	<u>819,460</u>	<u>1,136,690</u>	<u>628,966</u>	<u>2,193,743</u>	<u>1,448,426</u>
Net position - October 1	4,630,137	3,810,677	7,211,003	6,582,037	11,841,140	10,392,714
Prior Period Adjustments	(565,634)	-	302,663	-	(262,971)	-
Net position - September 30	<u>5,121,556</u>	<u>4,630,137</u>	<u>8,650,356</u>	<u>7,211,003</u>	<u>13,771,912</u>	<u>11,841,140</u>

**CITY OF ROYSE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2015**

Revenues by Source – Governmental Activities



Program Expenses – Governmental Activities



Program revenues were \$2.3 million, compared to \$2.1 million in fiscal year 2014. The breakdown of the increase is as follows:

- Charges for services for governmental activities increased \$505,919 as a result of increased development generating higher revenue for inspections, permits and plan reviews.
- Both Operating & Capital grants and contributions decreased \$307,056 in total primarily due to receipt of insurance proceeds in the prior year and reclassification of various service reimbursements.
- General revenues increased from \$5,125,506 in fiscal year 2014 to \$5,725,304 in fiscal year 2015 due to increased sales tax receipts and property tax shift from debt to operating.

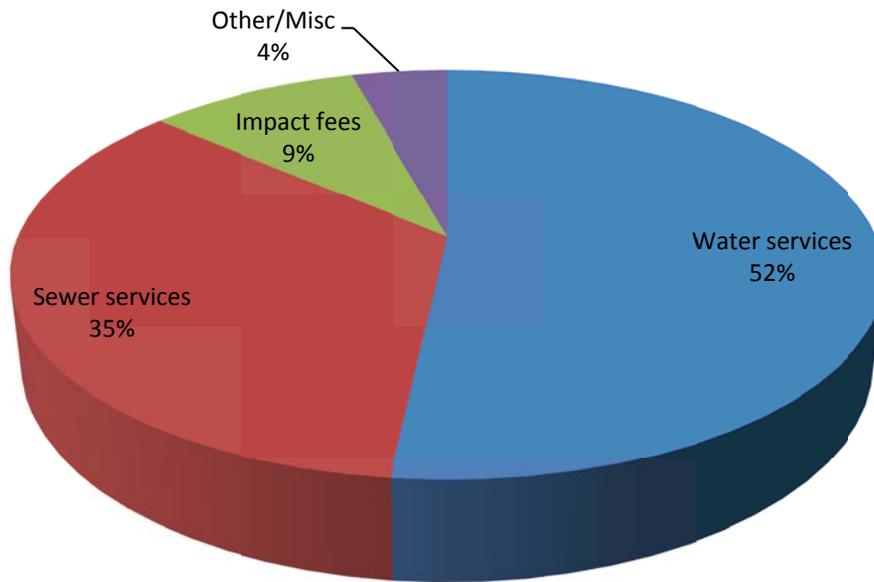
Overall, governmental activities expenses were \$7.2 million, an increase of \$560,067 which is attributable primarily to third party development related reviews and inspections, public safety additions, park equipment, and facility repairs.

**CITY OF ROYSE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2015**

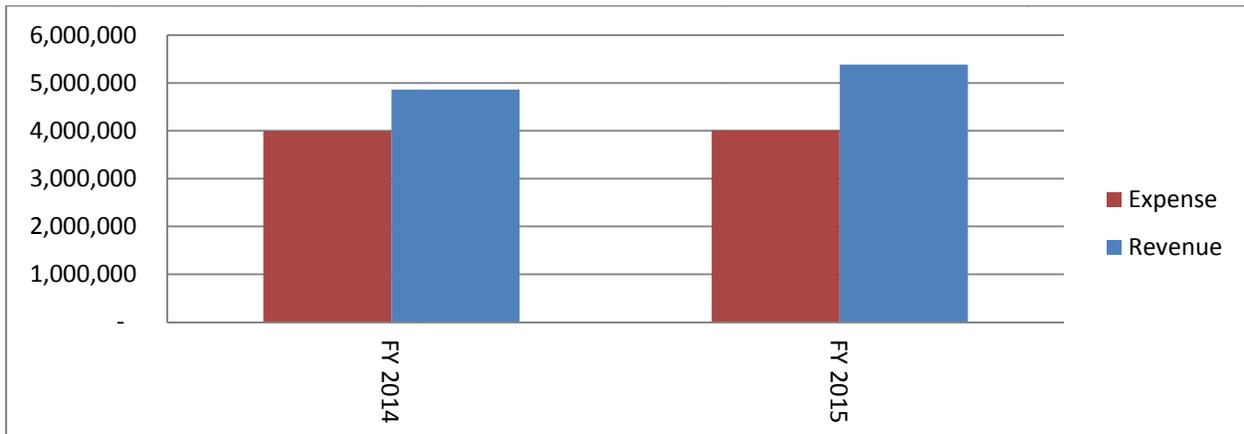
Business-Type Activities

Revenues of the City's business-type activities were \$5.38 million for the fiscal year ended September 30, 2015. Revenues increased approximately \$520,000 or 7.16% as compared to the prior fiscal year. Expenses for the City's business-type activities were relatively flat at a \$12,509 increase. The increase in net position is a result of the City's water and sewer system increased revenues primarily attributable to less stringent water restrictions in the current year as well as a 6% increase in the customer base.

Revenues by Source – Business-Type Activities



Expenditures – Business-Type Activities



**CITY OF ROYSE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2015**

Financial Analysis of the City's Funds

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

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balances (unassigned, assigned and committed) may serve as a useful measure of a government's net resources available for spending in the next fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,854,700. Within this total, \$1,798,331 is restricted for specific legal requirements, such as debt covenants, and \$63,099 has been committed and assigned to specific types of expenditures. Unassigned fund balance is \$993,270 and can be used for any lawful purpose.

The General Fund is the chief operating fund of the City. The fund balance of the City's general fund increased by \$511,524 during the current fiscal year. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total general fund expenditures. Unassigned fund balance represents 16% of total general fund expenditures.

The debt service fund has a total fund balance of \$710,250, all of which is restricted for the payment of debt service.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the proprietary fund at the end of the fiscal year were \$2,704,969, compared to \$3,126,852 in the prior year.

**CITY OF ROYSE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2015**

Capital Asset and Debt Administration

Capital Assets – At the end of the fiscal year 2015, the City had \$27.4 million (net of accumulated depreciation) invested in a broad range of capital assets, including land, buildings, police and fire equipment, park facilities, roads and water and sewer lines (Table 3). This amount represents a net decrease (including additions and deletions) of \$346,995 from the prior fiscal year.

Major capital asset transactions during the year include the completion of the Pond Branch Sewer Trunk Line, playground equipment and public works equipment.

**Table 3
Capital Assets at Year-End
(net of accumulated depreciation)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	925,170	925,170	1,340,132	1,340,132	2,265,302	2,265,302
Construction in progress	-	-	9,769	1,474,460	9,769	1,474,460
Buildings and improvements	8,619,385	8,766,037	4,658	5,281	8,624,043	8,771,318
Machinery and equipment	556,487	695,045	78,328	13,156	634,815	708,201
Infrastructure	-	-	15,882,976	14,544,619	15,882,976	14,544,619
Total	10,101,042	10,386,252	17,315,863	17,377,648	27,416,905	27,763,900

More detailed information about the City's capital asset activity is present in Note III.D. to the financial statements.

Long-Term Debt – At year end, the City had \$20,739,890 million in long-term debt outstanding, a \$1,148,028 million, or 5.2% decrease in comparison with the prior year – as shown in Table 4.

**Table 4
Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$7,000	\$52,789	\$4,810,000	\$5,126,214	\$4,817,000	\$5,179,003
Certificates of obligation	7,500,000	7,955,000	8,380,000	8,775,000	15,880,000	16,730,000
Unamortized premium (discount)	(64,525)	(68,897)	2,019	(1,171)	(62,506)	(70,068)
Capital lease	42,672	48,983	62,724	-	105,396	48,983
Total	\$7,485,147	\$7,987,875	\$13,254,743	\$13,900,043	\$20,739,890	\$21,887,918

More detailed information about the City's long-term obligations is presented in Note III.F. to the financial statements.

**CITY OF ROYSE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2015**

Economic Factors and Next Year's Budgets and Rates

The upcoming completion of a new interchange along Interstate 30 has spurred retail development. Wal-Mart will open early in fiscal 2016 along with a number of pad sites, some prepared for local favorites, Whataburger and Dairy Queen. O'Reilly's Auto Parts and Murphy Oil are among others expected to open in the development. Another of the City's Interstate bridge reconstruction projects was approved for TxDOT funding and will begin late fiscal 2016. Buc-ee's will build a 50,000 square foot travel center on the southwest corner of this intersection. A 500-home subdivision was recently approved, continuing strong residential growth.

Royse City has enjoyed a thriving downtown for several years; where the small town community and relationships are fostered and maintained – a true illustration of "A Friendly Touch of Texas." Royse City is a designated Texas Main Street City and is recognized as a nationally accredited program. Royse City was among the state's safest small cities in 2015, ranking 5th in the small cities category and 7th out of 210 overall studied by ValuePenguin which utilized FBI crime report data. This recognition speaks to the outstanding police department, public partnerships, proactive residents and council commitment to the overall safety of our community.

The largest single revenue source in the fiscal year 2016 General Fund Budget is property taxes, which account for 33.5% of total revenues. Assessed property values in Royse City increased \$61.7 million from the prior year, including \$18 million in new property entering the tax roll for the first time. Council maintained the \$0.6771 per \$100 valuation tax rate for fiscal year 2016. Sales tax revenue remains the City's second largest revenue source, making up 26% of General Fund Revenues. New retail openings planned for fiscal 2016 will provide for a 23% increase in budgeted sales tax revenues. A Police Investigator and Fire Inspector along with part-time seasonal positions were funded, as well as replacement of five vehicles and a dump truck. The comprehensive plan update will conclude in fiscal year 2016 providing guidance for the future growth of Royse City.

Water expenditure projections are lower for fiscal year 2016 due to a wholesale customer's planned disconnection from the City's system. An associated decline in revenue is expected due to the removal of this customer. A significant increase in water purchase and wastewater treatment costs from our provider North Texas Municipal Water District (NTMWD) is planned. This increase in the water rate is to pay for debt service associated with capital improvements of aging infrastructure related to NTMWD's water treatment operations, as well as establishing future water supplies to meet the growing regional demand. Additionally, NTMWD will begin the expansion of a shared wastewater treatment facility in Royse City. To address the increases from NTMWD and capital needs of our system, water and wastewater rates will be increased accordingly.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions about this report or requests for additional financial information should be directed to the Finance Director, P.O. Box 638, Royse City, Texas 75189.

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Basic Financial Statements

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CITY OF ROYSE CITY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Cash and cash equivalents</i>	\$ 2,833,828	\$ 1,418,438	\$ 4,252,266	\$ 1,344,310
<i>Receivables (net of allowances for uncollectibles)</i>	468,489	761,145	1,229,634	--
<i>Due from other governments</i>	390,003	--	390,003	97,185
Restricted assets:				
<i>Cash and cash equivalents</i>	--	3,045,845	3,045,845	--
<i>Capital assets (net of accumulated depreciation)</i>				
<i>Land</i>	925,170	1,340,132	2,265,302	--
<i>Buildings and system</i>	8,619,385	4,658	8,624,043	--
<i>Machinery and equipment</i>	556,487	78,328	634,815	--
<i>Infrastructure</i>	--	15,882,976	15,882,976	--
<i>Construction in progress</i>	--	9,769	9,769	--
Total Assets	13,793,362	22,541,291	36,334,653	1,441,495
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflow	320,598	41,312	361,910	68,423
Total Deferred Outflows of Resources	320,598	41,312	361,910	68,423
LIABILITIES				
<i>Accounts payable and accrued liabilities</i>	434,652	197,396	632,048	6,864
<i>Accrued interest payable</i>	41,613	--	41,613	--
<i>Due to other governments</i>	118,282	--	118,282	--
<i>Due to primary government</i>	--	--	--	98,447
<i>Customer deposits</i>	--	366,686	366,686	--
Noncurrent liabilities:				
Due within one year	516,400	869,200	1,385,600	--
Due in more than one year	7,861,321	12,498,965	20,360,286	167,518
Total Liabilities	8,972,268	13,932,247	22,904,515	272,829
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-other	20,136	--	20,136	--
Total deferred inflows of resources	20,136	--	20,136	--
NET POSITION:				
Net Investment in Capital Assets	2,556,883	4,322,435	6,879,318	--
Restricted For:				
Debt Service	804,019	--	804,019	--
Impact fees	761,564	1,622,952	2,384,516	--
Unrestricted	999,090	2,704,969	3,704,059	1,237,089
Total Net Position	\$ 5,121,556	\$ 8,650,356	\$ 13,771,912	\$ 1,237,089

The accompanying notes are an integral part of this statement.

CITY OF ROYSE CITY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
<i>General government</i>	\$ 2,749,735	\$ 810,323	\$ 25	\$ --
<i>Public safety</i>	2,356,569	622,958	10,494	--
<i>Public works</i>	379,893	320,693	--	--
<i>Public services</i>	588,013	3,370	49,052	1,595
<i>Community development</i>	427,320	476,248	--	--
<i>Culture and recreation</i>	206,503	16,082	250	--
<i>Environmental services</i>	167,586	--	14,068	--
Interest	353,810	--	--	--
Total governmental activities	<u>7,229,429</u>	<u>2,249,674</u>	<u>73,889</u>	<u>1,595</u>
Business-type Activities:				
Water and Sewer	4,011,101	5,276,591	--	--
Total Business-type Activities	<u>4,011,101</u>	<u>5,276,591</u>	<u>--</u>	<u>--</u>
Total Primary Government	<u>\$ 11,240,530</u>	<u>\$ 7,526,265</u>	<u>\$ 73,889</u>	<u>\$ 1,595</u>
COMPONENT UNIT:				
Royse City Community Development Corporation	<u>\$ 259,670</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

General Revenues:
Ad valorem taxes, penalty and interest
Sales Taxes
Franchise Taxes
Hotel Motel Taxes
Alcoholic Beverage Taxes
Miscellaneous
Unrestricted Investment Earnings
Gain on Sale of Capital Assets
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position - Beginning
Prior Period Adjustment
Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (1,939,387)		\$ (1,939,387)	
(1,723,117)		(1,723,117)	
(59,200)		(59,200)	
(533,996)		(533,996)	
48,928		48,928	
(190,171)		(190,171)	
(153,518)		(153,518)	
(353,810)		(353,810)	
<u>(4,904,271)</u>		<u>(4,904,271)</u>	
--	\$ 1,265,490	1,265,490	
--	1,265,490	1,265,490	
<u>(4,904,271)</u>	<u>1,265,490</u>	<u>(3,638,781)</u>	
			\$ (259,670)
3,480,297	--	3,480,297	--
1,503,191	--	1,503,191	500,868
429,083	--	429,083	--
80,254	--	80,254	--
3,879	--	3,879	--
219,226	93,937	313,163	6,300
9,374	2,683	12,057	3,066
--	10,600	10,600	--
236,020	(236,020)	--	--
<u>5,961,324</u>	<u>(128,800)</u>	<u>5,832,524</u>	<u>510,234</u>
1,057,053	1,136,690	2,193,743	250,564
4,630,137	7,211,003	11,841,140	867,023
(565,634)	302,663	(262,971)	119,502
<u>\$ 5,121,556</u>	<u>\$ 8,650,356</u>	<u>\$ 13,771,912</u>	<u>\$ 1,237,089</u>

CITY OF ROYSE CITY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 992,716	\$ 730,754	\$ 1,110,358	\$ 2,833,828
<i>Receivables (net of allowances for uncollectibles):</i>				
<i>Taxes - delinquent</i>	61,441	95,252	--	156,693
<i>Fines</i>	184,235	--	--	184,235
<i>Other receivables</i>	106,939	--	20,622	127,561
<i>Due from other funds</i>	21,987	--	--	21,987
<i>Due from other governments</i>	390,003	--	--	390,003
Total Assets	<u>\$ 1,757,321</u>	<u>\$ 826,006</u>	<u>\$ 1,130,980</u>	<u>\$ 3,714,307</u>
LIABILITIES				
Accounts payable	\$ 232,745	\$ --	\$ 907	\$ 233,652
Accrued liabilities	55,438	--	--	55,438
Other liabilities	144,441	--	1,121	145,562
Due to other funds	--	21,987	--	21,987
Due to other governments	118,282	--	--	118,282
Total Liabilities	<u>550,906</u>	<u>21,987</u>	<u>2,028</u>	<u>574,921</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	58,287	93,769	--	152,056
Unavailable revenue-fines	112,494	--	--	112,494
Unavailable revenue-other	20,136	--	--	20,136
Total deferred inflows of resources	<u>190,917</u>	<u>93,769</u>	<u>--</u>	<u>284,686</u>
Fund balances:				
<i>Restricted</i>	--	710,250	1,088,081	1,798,331
<i>Assigned</i>	22,228	--	40,871	63,099
<i>Unassigned</i>	993,270	--	--	993,270
Total fund balances	<u>1,015,498</u>	<u>710,250</u>	<u>1,128,952</u>	<u>2,854,700</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,757,321</u>	<u>\$ 826,006</u>	<u>\$ 1,130,980</u>	<u>\$ 3,714,307</u>

The accompanying notes are an integral part of this statement.

CITY OF ROYSE CITY, TEXAS
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2015*

Total fund balances - governmental funds balance sheet	\$ 2,854,700
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	10,101,042
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	152,056
Payables for bond principal which are not due in the current period are not reported in the funds.	(7,442,475)
Payables for capital leases which are not due in the current period are not reported in the funds.	(42,672)
Payables for bond interest which are not due in the current period are not reported in the funds.	(41,614)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(107,663)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	112,494
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(784,910)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>320,598</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 5,121,556</u>

The accompanying notes are an integral part of this statement.

CITY OF ROYSE CITY, TEXASSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
<i>Ad valorem taxes, penalty and interest</i>	\$ 2,035,345	\$ 1,401,444	\$ --	\$ 3,436,789
<i>Sales taxes</i>	1,503,191	--	--	1,503,191
<i>Franchise</i>	429,083	--	--	429,083
<i>Hotel/Motel tax</i>	--	--	80,254	80,254
<i>Beverage</i>	4,407	--	--	4,407
<i>Fines and fees</i>	437,782	--	23,755	461,537
<i>Licenses and permits</i>	426,031	--	--	426,031
<i>Charges for services</i>	922,713	--	--	922,713
<i>Impact fees</i>	--	--	310,093	310,093
<i>Intergovernmental</i>	113,009	--	1,595	114,604
<i>Donations</i>	--	--	65,536	65,536
<i>Interest income</i>	7,409	1,596	369	9,374
<i>Miscellaneous</i>	224,406	--	6,822	231,228
<i>Total revenues</i>	<u>6,103,376</u>	<u>1,403,040</u>	<u>488,424</u>	<u>7,994,840</u>
Expenditures:				
Current:				
<i>General government</i>	2,570,793	--	113,200	2,683,993
<i>Public safety</i>	2,262,416	--	--	2,262,416
<i>Public works</i>	256,329	--	--	256,329
<i>Public services</i>	556,227	--	--	556,227
<i>Community development</i>	429,311	--	--	429,311
<i>Culture and recreation</i>	192,343	--	--	192,343
<i>Environmental services</i>	168,825	--	--	168,825
<i>Total current</i>	<u>6,436,244</u>	<u>--</u>	<u>113,200</u>	<u>6,549,444</u>
Capital outlay:				
<i>General government</i>	12,032	--	20,000	32,032
<i>Public works</i>	23,000	--	--	23,000
<i>Public services</i>	19,309	--	--	19,309
<i>Total capital outlay</i>	<u>54,341</u>	<u>--</u>	<u>20,000</u>	<u>74,341</u>
Debt service:				
<i>Principal</i>	--	503,286	--	503,286
<i>Interest</i>	--	351,310	--	351,310
<i>Total debt service</i>	<u>--</u>	<u>854,596</u>	<u>--</u>	<u>854,596</u>
Total expenditures	<u>6,490,585</u>	<u>854,596</u>	<u>133,200</u>	<u>7,478,381</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(387,209)</u>	<u>548,444</u>	<u>355,224</u>	<u>516,459</u>
Other financing sources (uses):				
<i>Transfers in</i>	898,733	--	--	898,733
<i>Transfers out</i>	--	(654,712)	(8,000)	(662,712)
<i>Total other financing sources (uses)</i>	<u>898,733</u>	<u>(654,712)</u>	<u>(8,000)</u>	<u>236,021</u>
Net change in fund balances	<u>511,524</u>	<u>(106,268)</u>	<u>347,224</u>	<u>752,480</u>
Fund balances, October 1	679,260	809,011	761,757	2,250,028
Prior Period Adjustment	(175,286)	7,507	19,971	(147,808)
Fund balances, September 30	<u>\$ 1,015,498</u>	<u>\$ 710,250</u>	<u>\$ 1,128,952</u>	<u>\$ 2,854,700</u>

The accompanying notes are an integral part of this statement.

CITY OF ROYSE CITY, 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*

Net change in fund balances - total governmental funds	\$ 752,480
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	74,341
The depreciation of capital assets used in governmental activities is not reported in the funds.	(359,551)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	43,509
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	500,789
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	6,311
(Increase) decrease in accrued interest from beginning of period to end of period.	(6,291)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(20,535)
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	12,106
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>53,894</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,057,053</u>

The accompanying notes are an integral part of this statement.

CITY OF ROYSE CITY, TEXAS

STATEMENT OF NET POSITION

ENTERPRISE FUNDS

SEPTEMBER 30, 2015

	Enterprise Fund Water and Sewer Fund
ASSETS:	
Current Assets:	
<i>Cash and Cash Equivalents</i>	\$ 1,418,438
<i>Receivables (net of allowances for uncollectibles):</i>	761,145
<i>Restricted Cash and Cash Equivalents</i>	3,045,845
Total Current Assets	<u>5,225,428</u>
Noncurrent Assets:	
<i>Land</i>	1,340,132
<i>Buildings</i>	39,551
<i>Machinery and Equipment</i>	537,136
<i>Infrastructure</i>	20,043,760
<i>Construction in Progress</i>	9,769
<i>Less Accumulated Depreciation</i>	<u>(4,654,485)</u>
Total Noncurrent Assets	<u>17,315,863</u>
Total Assets	<u>22,541,291</u>
DEFERRED OUTFLOWS OF RESOURCES:	
<i>Deferred pension outflow</i>	41,312
Total Outflows of Resources	<u>41,312</u>
LIABILITIES:	
Current Liabilities:	
<i>Accounts payable</i>	116,034
<i>Other liabilities</i>	13,702
<i>Compensated absences payable - current</i>	1,228
<i>Certificates of obligation - current</i>	226,107
<i>Revenue bonds payable - current</i>	202,252
<i>Capital leases payable</i>	11,797
Liabilities payable from restricted assets:	
<i>Customer Deposits</i>	366,686
<i>Accrued Interest Payable</i>	67,660
Total Current Liabilities	<u>1,005,466</u>
Noncurrent Liabilities:	
<i>General Obligation Bonds Payable</i>	4,901,459
<i>Certificates of obligation</i>	4,564,680
<i>Revenue Bonds Payable</i>	3,297,521
<i>Compensated absences payable - noncurrent</i>	11,051
<i>Capital Leases Payable</i>	50,927
<i>Net Pension Obligation</i>	101,143
Total Noncurrent Liabilities	<u>12,926,781</u>
Total Liabilities	<u>13,932,247</u>
NET POSITION:	
<i>Net Investment in Capital Assets</i>	4,322,436
<i>Restricted for impact fee use</i>	1,622,952
<i>Unrestricted</i>	2,704,968
Total Net Position	<u>\$ 8,650,356</u>

The accompanying notes are an integral part of this statement.

CITY OF ROYSE CITY, TEXASSTATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Enterprise Fund <u>Water and Sewer Fund</u>
OPERATING REVENUES:	
<i>Charges for services - water</i>	\$ 2,778,155
<i>Charges for services - sewer</i>	1,863,226
<i>Water and wastewater impact fees</i>	500,400
<i>Miscellaneous</i>	228,747
Total Operating Revenues	<u>5,370,528</u>
OPERATING EXPENSES:	
<i>Personal services</i>	440,812
<i>Materials and supplies</i>	67,612
<i>Repairs and maintenance</i>	212,021
<i>Water purchases</i>	1,057,341
<i>Contractual services</i>	185,028
<i>Interceptor expenses</i>	989,788
<i>Depreciation</i>	487,347
<i>Other expense</i>	20,342
Total Operating Expenses	<u>3,460,291</u>
Operating Income	<u>1,910,237</u>
NON-OPERATING REVENUES (EXPENSES):	
<i>Interest revenue</i>	2,683
<i>Gain (loss) on disposal of capital assets</i>	10,600
<i>Interest expense</i>	(550,810)
Total Non-operating Revenues (Expenses)	<u>(537,527)</u>
Income before Transfers	1,372,710
<i>Transfers in</i>	654,712
<i>Transfers out</i>	<u>(890,732)</u>
Change in Net Position	1,136,690
Total Net Position - Beginning	7,211,003
Prior Period Adjustment	302,663
Total Net Position - Ending	<u>\$ 8,650,356</u>

The accompanying notes are an integral part of this statement.

CITY OF ROYSE CITY
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Enterprise Fund <u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ 5,302,131
<i>Cash Payments to Employees for Services</i>	(454,137)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(2,650,045)
Net Cash Provided (Used) by Operating Activities	<u>2,197,949</u>
Cash Flows from Non-capital Financing Activities:	
<i>Transfers From (To) Other Funds</i>	(236,020)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(236,020)</u>
Cash Flows from Capital and Related Financing Activities:	
<i>Principal and Interest Paid</i>	(1,183,537)
<i>Acquisition or Construction of Capital Assets</i>	(417,451)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(1,600,988)</u>
Cash Flows from Investing Activities:	
<i>Interest and Dividends on Investments</i>	2,683
Net Cash Provided (Used) for Investing Activities	<u>2,683</u>
Net Increase (Decrease) in Cash and Cash Equivalents	363,624
Cash and Cash Equivalents at Beginning of Year	4,100,658
Cash and Cash Equivalents at End of Year	<u>\$ 4,464,282</u>
Reported on Statement of Net Position	
Unrestricted cash	\$ 1,418,438
Restricted cash	3,045,844
	<u>\$ 4,464,282</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 1,910,237
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
<i>Depreciation</i>	487,347
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	(141,287)
<i>Increase (Decrease) in Accounts Payable</i>	(43,094)
<i>Increase (Decrease) in Other Payables</i>	(81,648)
<i>Increase (Decrease) in Accrued Expenses</i>	(6,496)
<i>Increase (Decrease) in Customer Deposits</i>	72,890
Total Adjustments	<u>287,712</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,197,949</u>

The accompanying notes are an integral part of this statement.

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Royse City, Texas, was settled in 1891 and operates under the Council-Manager form of government as adopted by a home rule charter approved May 15, 2004. The City provides a full range of municipal services including public safety (police and fire), municipal court, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer service as a proprietary function of the City.

The accounting policies of the City of Royse City, Texas, conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City of Royse City is a home rule municipality governed by an elected mayor and six member City Council who appoint a City Manager. The City's (primary government) financial statements include its component units. The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Discretely Presented Component Units

The Royse City Community Development Corporation ("CDC") is a discretely presented component unit of the City. The CDC is governed by a board of seven members, all of whom are appointed by the City Council of the City of Royse City and whom can be removed from office by the City Council at its will. CDC has potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The CDC incorporated in the state of Texas in 1998. The nature and significance of the relationship between the primary government and the CDC is such that exclusion would cause the City's financial statements to be misleading or incomplete. Stand alone financial statements for CDC as of and for the fiscal year ended September 30, 2015 are not prepared.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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 and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

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

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net position or equity

1. Deposits and investments

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, and construction reserves. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States or its agencies and instrumentalities with finite maturity dates, with a maximum maturity of not greater than 5 years. Laddering of investments should be considered.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities, with stated finite maturity dates.
- c. Other obligations, with finite maturity dates, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities.
- d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.
- e. Certificates of deposit issued by a state or national bank domiciled in the state of Texas or a savings bank domiciled in the state of Texas provided that they are:
 - (1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,
 - (2) Secured by obligations outlined in items a – d. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or
 - (3) Secured in any other manner in an amount provided by law for deposits of the City.
- f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least of the 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the state of Texas. The repurchase agreements should be secured by obligations approved in this policy.
- g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than "A-1" or "P-1" (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.
- h. Commercial paper having a stated maturity of 270 days or less and rated not less than "A-1" or "P-1" (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

- i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net assets value of \$1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.
- j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.
- k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

Investments having a maturity of 1 year or more, when purchased, are stated at fair value. Short term investments are stated at cost or amortized cost.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter fund 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." 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, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1 by the City based on the January 1 property values as assessed by the Royckwall Central Appraisal District. Taxes are due without penalty until January 31, of the next calendar year. After January 31 the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

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 City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. 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.

CITY OF ROYSE CITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended September 30, 2015

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings and improvements	7 - 30
System infrastructure	20 - 40
Vehicles	4 - 20
Office Furniture and equipment	5
Machinery and equipment	10

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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. The government only has one item that qualifies for reporting in this category. It is the 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 two sources: property taxes and fines receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Compensated absences

It is the City's policy to pay a separating employee with at least six months of continuous service unused vacation leave not to exceed 80 hours. The rate of pay will be determined by the salary rate in effect at the time of separation. As such, there is an accrual at the close of the fiscal year end in the government-wide and proprietary fund financial statements for the amount. In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or due to all employees as of September 30, 2015. No unused sick or holiday leave will be paid out upon termination of employment.

8. Long-term obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund equity

Nonspendable Fund Balance Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed Fund Balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through legislation, resolution or ordinance, unless the City Council removes or changes the specified use by taking the same type of action used to commit the amounts.

Assigned Fund Balance - Amounts that are constrained by the City Council, or the City Manager or Director of Finance, based upon delegation of this authority by the City Council, that are to be used for specific purposes but are neither restricted nor committed.

Unassigned Fund Balance - Amounts that are available for any purpose; these amounts can be reported only in the City's General Fund.

Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent first. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used. The City has not established a formal policy to set forth a minimum level for fund balances.

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

	General Fund	Debt Service	Other Funds	Total
Fund Balances				
Restricted for:				
Debt service	\$ --	\$710,250	\$ --	\$710,250
Roadway fees	--	--	761,564	761,564
Police	--	--	31,954	31,954
Municipal court use	--	--	93,899	93,899
Hotel motel use	--	--	200,664	200,664
	--	710,250	1,088,081	1,798,331
Assigned:				
General government	22,228	--	12,835	35,063
Library	--	--	2,149	2,149
Senior center	--	--	1,621	1,621
Parks and recreation	--	--	26	26
Public safety	--	--	5,271	5,271
Animal Control	--	--	18,969	18,969
	22,228	--	40,871	63,099
Unassigned	993,270	--	--	993,270
	<u>\$1,015,498</u>	<u>\$710,250</u>	<u>\$1,128,952</u>	<u>\$2,854,700</u>

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore the fund level is the legal level of control.
4. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, certain Special Revenue Funds and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted or as amended by the City Council. During 2015, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

6. The City did not adopt budgets for certain Special Revenue Funds. These unbudgeted Special Revenue Funds were as follows:

Library Grant
Library Donations
TXPW Grants

7. Capital Project funds, when present are not budgeted. Since project length financial plans usually extend into two or more fiscal years, this makes comparisons confusing and misleading.

B. Deficit fund equity

There were no fund deficits at September 30, 2015.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At September 30, 2015, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

Investments

At September 30, 2015, the City had the following investments which are considered cash equivalents:

	Fair Value	Weighted Average Maturity (Days)
Investment Type		
LOGIC	\$4,221,665	45
Cash	4,420,756	
Total cash and cash equivalents	\$8,642,421	

Cash and cash equivalents are reported in the:

Statement of net assets as follows:

Governmental activities unrestricted	\$2,833,828
Governmental activities restricted	--
Business-type activities unrestricted	1,418,438
Business-type activities restricted	3,045,845
Total City	7,298,111
CDC Discrete Component Unit	1,344,310
	8,642,421

The Public Funds Investment Act ("Act") (Government Code Chapter 2256) requires the City to have an independent auditor perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Currently all of the City's investments are with Local Government Investment Cooperative (LOGIC).

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

LOGIC was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Public Funds Investment Act allows eligible local governments, state agencies, and nonprofit corporations of the State of Texas to jointly invest their funds in permitted investments.

LOGIC's governing body is a five-member Board of Directors comprised of employees, officers or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of LOGIC.

In order to comply with the Public Funds Investment Act, all portfolios will maintain a AAAm or equivalent rating from at least one nationally recognized rating agency. Standard & Poor's currently rates LOGIC AAAm.

The portfolio is managed by JPMorgan Investment Management, Inc. Day-to-day administration is performed by First Southwest Company and JPMorgan Investment Management, Inc. First Southwest provides distribution, administrative, participant support and marketing services. JPMorgan Investment Management, Inc. or its affiliates provides management, custody and fund accounting services. A request for LOGIC's financial statements can be made at www.logic.org.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2015 the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented above is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements and the actual rating as of year end for each investment type.

Concentration of Credit Risk

With the exception of U.S. Treasury securities, certificates of deposit and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all City investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. government and its agencies and instrumentalities.

As of September 30, 2015, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

B. Receivables

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

	General	Debt Service	Nonmajor and Other	Total Governmental	Water and Sewer
Taxes - delinquent	\$62,362	\$96,888	\$ --	\$159,250	\$ --
Allowance for uncollectibles	(\$921)	(\$1,636)	--	(\$2,557)	--
Taxes receivable	<u>\$61,441</u>	<u>\$95,252</u>	<u>\$ --</u>	<u>\$156,693</u>	<u>\$ --</u>
Fines receivable	\$259,231	\$ --	\$ --	\$259,231	\$ --
Allowance for uncollectibles	(74,996)	--	--	(74,996)	--
	<u>\$184,235</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$184,235</u>	<u>\$ --</u>
Accrued Interest	<u>\$5,440</u>	<u>\$ --</u>	<u>\$4,486</u>	<u>\$9,926</u>	<u>\$ --</u>
Accounts receivable	\$ --	\$ --	\$ --	\$ --	\$976,982
Allowance for uncollectibles	--	--	--	--	(215,837)
Net other receivables	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$761,145</u>
Other receivables	<u>\$106,939</u>	<u>\$ --</u>	<u>\$20,622</u>	<u>\$127,561</u>	<u>\$ --</u>

C. Deferred/Unearned Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$58,287	\$ --
Fines receivable (General Fund)	112,494	--
Delinquent property taxes receivable (Debt Service Fund)	93,769	--
Developer deferred revenue	20,136	20,136
Total deferred/unearned revenue for governmental funds	<u>\$284,686</u>	<u>\$20,136</u>

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

D. Capital assets

Capital asset activity for the year ended September 30, 2015:

Primary Government

	Balance 9/30/14	Additions	Retirements	Completed Construction	Balance 9/30/15
GOVERNMENTAL ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$925,170	\$ --	\$ --	--	\$925,170
Capital assets, being depreciated:					
Buildings and improvements	10,220,663	66,341	--	--	10,287,004
Machinery and equipment	2,748,927	8,000	--	--	2,756,927
Total capital assets being depreciated	12,969,590	74,341	--	--	13,043,931
Less accumulated depreciation for:					
Buildings and improvements	(1,454,626)	(212,993)	--	--	(1,667,619)
Machinery and equipment	(2,053,882)	(146,558)	--	--	(2,200,440)
Total accumulated depreciation	(3,508,508)	(359,551)	--	--	(3,868,059)
Total capital assets being depreciated, net	9,461,082	(285,210)	--	--	9,175,872
Governmental activities capital assets, net	<u>\$10,386,252</u>	<u>(\$285,210)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$10,101,042</u>

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

	Balance 9/30/14	Additions	Retirements	Completed Construction	Balance 9/30/15
BUSINESS-TYPE ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$1,340,132	\$ --	\$ --	\$ --	\$1,340,132
Construction in progress	1,474,461	346,357	--	(1,811,049)	9,769
Total capital assets not being depreciated	2,814,593	346,357	--	(1,811,049)	1,349,901
Capital assets, being depreciated:					
Buildings and improvements	39,551	--	--	--	39,551
Water and sewer system	18,226,830	5,891	--	1,811,049	20,043,770
Machinery and equipment	493,444	73,354	(29,632)	--	537,166
Total capital assets being depreciated	18,759,825	79,245	(29,632)	1,811,049	20,620,487
Less accumulated depreciation for:					
Buildings and improvements	(34,271)	(622)	--	--	(34,893)
Water and sewer system	(3,682,211)	(478,583)	--	--	(4,160,794)
Machinery and equipment	(480,288)	(8,182)	29,632	--	(458,838)
Total accumulated depreciation	(4,196,770)	(487,387)	29,632	--	(4,654,525)
Capital assets being depreciated, net	14,563,055	(408,142)	--	1,811,049	15,965,962
Business type activities capital assets, net	\$17,377,648	(\$61,785)	\$ --	\$ --	\$17,315,863

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$52,825
Public safety	104,642
Public works	150,273
Public services	32,828
Community development	11,331
Culture and recreation	7,652
Total depreciation expense - governmental activities	\$359,551

Business-type activities:

Water and sewer	\$487,387
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CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

Construction commitments

The City has an active construction project as of September 30, 2015, consisting of water system improvements.

Project	Spent to Date	Remaining Commitment
Bell Street Waterline water system	<u>\$9,769</u>	<u>\$360,231</u>

The water system improvements are being financed by bond proceeds.

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2015, is as follows:

Fund	Receivable	Payable
General Fund	\$21,987	\$ --
Debt Service Fund	--	21,987
Totals	<u>\$21,987</u>	<u>\$21,987</u>

The outstanding balances between funds result primarily from the temporary overdraft of pooled cash.

The composition of interfund transfers for the year ended September 30, 2015, is as follows:

Fund	Transfer In	Transfer Out
Major Governmental Funds		
General Fund	\$898,732	\$ --
Debt Service Fund	--	654,712
Nonmajor Governmental Funds		
Water and Sewer Enterprise Fund	654,712	8,000
Totals	<u>\$1,553,444</u>	<u>\$1,553,444</u>

Transfers are made to fund general administrative operations and to fund debt service payments.

F. Long-term debt

The City issues general obligation debt (in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

General Obligation Debt Outstanding as of September 30, 2015, is as follows:

Description	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/15
Governmental Activities					
General Obligation Bonds:					
GO Bonds, Series 1976	\$150,000	1976	2016	5.00%	\$7,000
Total General Obligation Bonds					7,000
Certificates of Obligation Bonds:					
CO, Series 2006	1,875,000	2006	2026	4.03%	1,295,000
CO, Series 2007 A	7,850,000	2007	2027	4.25%-5.75%	5,710,000
CO, Series 2011	535,000	2011	2031	4.25%	495,000
Total Certificates of Obligation					7,500,000
Total Governmental Activities General Obligation Debt					7,507,000
 Business-type Activities:					
General Obligation Bonds:					
GO Refunding, Series 2010	555,000	2010	2019	2.00%-3.75%	470,000
GO Refunding, Series 2014	4,695,000	2014	2030	1.50%-3.50%	4,340,000
Total General Obligation Bonds					4,810,000
Certificates of Obligation Bonds:					
CO, Series 2007B	4,695,000	2007	2027	5.81%-6.38%	3,530,000
CO, Series 2010	3,690,000	2010	2019	2.00%-4.50%	3,330,000
CO, Series 2013	1,585,000	2013	2033	2.00%-3.00%	1,520,000
Total Certificates of obligation					8,380,000
Total business-type general obligation debt					13,190,000
Total General Debt					\$20,697,000

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

Annual debt service requirements to maturity for general debt:

Year	Governmental Activities		Business Type Activities		Total
	Principal	Interest	Principal	Interest	
2016	\$482,000	\$325,246	\$860,000	\$530,779	\$2,198,025
2017	510,000	315,735	900,000	504,154	2,229,889
2018	530,000	293,318	920,000	473,512	2,216,830
2019	555,000	270,524	955,000	439,438	2,219,962
2020	585,000	246,653	865,000	403,719	2,100,372
2021-2025	3,295,000	824,820	4,470,000	1,481,018	10,070,838
2026-2030	1,510,000	128,006	3,900,000	483,892	6,021,898
2031-2033	40,000	2,000	320,000	19,350	381,350
Total	<u>\$7,507,000</u>	<u>\$2,406,302</u>	<u>\$13,190,000</u>	<u>\$4,335,862</u>	<u>\$27,439,164</u>

Capitalized Lease Obligations

The City has entered into a contract to purchase various vehicles. This contract has been treated as a capitalized lease.

Capitalized lease obligations outstanding at September 30, 2015 are as follows:

Purpose	Original Amount	Year Issue	Final Maturity	Interest Rate	Balance 9/30/15
Capital Leases					
Governmental activities					
Public safety vehicles	\$63,680	2012	2017	3.98%	\$26,527
Truck	47,844	2013	2016	2.95%	16,145
					<u>42,672</u>
Business-type activities					
Backhoe	\$67,724	2015	2020	3.504%	62,724
Total Capitalized Lease Obligations					<u>\$105,396</u>

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

Capital lease obligation debt service requirements to maturity are as follows:

Year	Governmental Activities	Business-type Activities	Total
2016	\$30,551	\$13,866	\$44,417
2017	13,930	13,866	27,796
2018	--	13,866	13,866
2019	--	13,866	13,866
2020	--	13,866	13,866
Total payments	44,481	69,330	113,811
Less imputed interest	(1,809)	(6,606)	(8,415)
Total Capital Lease Obligations	\$42,672	\$62,724	\$105,396

CHANGES IN LONG-TERM LIABILITIES

During the year ended September 30, 2015, the following changes occurred in liabilities reported in the capital long-term debt:

	Balance 9/30/14	Additions	Retirements	Balance 9/30/15	Due Within One Year
Governmental activities:					
General obligation bonds	\$52,789	\$ --	(\$45,789)	\$7,000	\$7,000
Certificates of obligation	7,955,000	--	(455,000)	7,500,000	475,000
Deferred amounts:					
Unamortized premium (discount)	(68,897)	(1,140)	5,512	(64,525)	(5,512)
Total bonds payable	7,938,892	(1,140)	(495,277)	7,442,475	476,488
Capital lease obligations	48,983	--	(6,311)	42,672	29,147
Compensated absences	87,128	29,249	(8,714)	107,663	10,765
Net pension liability	651,730	133,181	--	784,911	--
Governmental activity Long-Term Liabilities	\$8,726,733	\$161,290	(\$510,302)	\$8,377,721	\$516,400

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

	Balance 9/30/14	Additions	Retirements	Balance 9/30/15	Due Within One Year
Business-type activities:					
General obligation bonds	\$5,126,214	\$ --	(\$316,214)	\$4,810,000	\$425,000
Certificates of obligation	8,775,000	--	(395,000)	8,380,000	435,000
Unamortized premium (discount)	(1,171)	3,824	(634)	2,019	(3,824)
Total bonds payable	13,900,043	3,824	(711,848)	13,192,019	856,176
Capital lease	--	62,724	--	62,724	11,797
Compensated absences	7,543	5,490	(754)	12,279	1,227
Net pension liability	83,981	17,162	--	101,143	--
Business-type activities	\$13,991,567	\$89,200	(\$712,602)	\$13,368,165	\$869,200

For the governmental activities, claims and judgements and compensated absences are generally liquidated by the general fund.

Authorized and Unissued Debt

The City has no authorized but unissued debt at September 30, 2015:

IV. OTHER INFORMATION

A. Risk management

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

B. North Texas Municipal Water District

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Farmersville, McKinney, Richardson, Forney and Royse City (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment processing and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams and underground water, for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

interest equity investments and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility which is operated by the District. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the Annual Budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the Paying Agent and the Registrar.

C. Contingent Liabilities and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, 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.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

As described in Note III. F. above, the general revenues of the City are contingently liable for the \$13,190,000 payable in General Obligation Bonds which are currently outstanding and recorded as obligations of the Enterprise Fund.

The City contracts for garbage disposal with a third party. Under the terms of the agreement the city bills and collects the residential and commercial billing and remits that amount to the contracting party.

D. Change in Generally Accepted Accounting Policy

The City has implemented new accounting guidance from Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27. Certain assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses are now recognized by governmental type activities and proprietary funds.

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

E. Prior Year Adjustment

As noted above, the City implemented GASB-68 during FY2015. GASB-68 requires that beginning net position, for Governmental Activities and funds applying the full accrual method, be restated for the effect of beginning net pension (liability)/asset, beginning deferred pension outflows of resources, and beginning deferred pension inflows of resources. Additionally, corrections of errors in prior years financial statements were made:

Description	Governmental	Business-type	Component
	Activities	Activities	Unit
Net position as reported - FYE 9/30/14	\$4,630,138	\$7,211,003	\$867,023
Beginning net pension liability	(651,730)	(83,981)	(139,094)
Beginning deferred pension outflows of resources	133,523	17,206	28,496
Correct sales tax allocation	27,649	--	(27,649)
Correct reporting of fines	98,723	--	--
Accrue receivable for RISD officer	27,876	--	--
Accrue hotel tax	19,971	--	--
Correct deferred ad valorem taxes	7,507	--	--
Correct pooled cash	(229,153)	--	229,154
Reverse account payable recorded in error	--	180,066	28,595
Record equity in ground water reservoir	--	189,372	--
Net restatement	(565,634)	302,663	119,502
Net position as restated - FYE 9/30/14	<u>4,064,504</u>	<u>7,513,666</u>	<u>986,525</u>

Following is the effect on fund balances of Governmental Activities funds and the discrete component units:

Description	General	Debt Service	Hotel Motel Tax	CDC
Fund balance as reported - FYE 9/30/14	\$653,281	\$809,011	\$156,043	\$867,023
Correct sales tax allocation	27,649	--	--	(27,649)
Correct reporting of fines	(1,657)	--	--	--
Accrue receivable for RISD officer	27,876	--	--	--
Accrue hotel tax	--	--	19,971	--
Correct deferred ad valorem taxes	--	7,507	--	--
Reverse account payable	--	--	--	28,594
Correct pooled cash	(229,154)	--	--	229,154
Net restatement	(175,286)	7,507	19,971	230,099
Fund balance as restated - FYE 9/30/14	<u>\$477,995</u>	<u>\$816,518</u>	<u>\$176,014</u>	<u>\$1,097,122</u>

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

F. Retirement Commitments

1. Plan Description

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

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

2. Benefits

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.

Employees covered by benefit terms.

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

Inactive employees (or their beneficiaries) currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	32
Active employees	55
	<hr/>
	101
	<hr/> <hr/>

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 were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.74% and 12.64% in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015, were \$383,045 and were equal to the required contributions.

4. Net Pension Liability

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

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

Actuarial assumptions:

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

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.

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:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
Domestic equity	17.50%	4.80%
International equities	17.50%	6.05%
Core fixed income	30.00%	1.50%
Non-core fixed income	10.00%	3.50%
Real return	5.00%	1.75%
Real estate	10.00%	5.25%
Absolute return	5.00%	4.25%
Private equity	5.00%	8.50%
	100.00%	

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

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

Changes in the net pension liability

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
	[a]	[b]	[c]
Balance at 12/31/13	\$4,634,119	\$3,759,314	\$874,805
Changes for the year:			
Service cost	404,223	--	404,223
Interest	335,002	--	335,002
Change of benefit terms	--	--	--
Difference between expected and actual experience	97,116	--	97,116
Changes of assumptions	--	--	--
Contributions - employer	--	257,384	(257,384)
Contributions - employees	--	187,480	(187,480)
Net investment income	--	215,140	(215,140)
Benefit payments including refunds of employee contributions	(100,973)	(100,973)	--
Amortization of prior year assets	--	--	--
Administrative expense	--	(2,245)	2,245
Other changes	--	(185)	185
Net changes	735,368	556,601	178,767
Balance at 12/31/14	<u>\$5,369,487</u>	<u>\$4,315,915</u>	<u>\$1,053,572</u>

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

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

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
Net Pension Liability/(Asset)	\$1,949,487	\$1,053,572	\$328,264

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.

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

For the year ended September 30, 2015, the City recognized pension expense of \$320,306. At September 30, 2015, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Original Amount	Date Established	Original Recognition Period	Date of Deferred (Inflows)/Outflows 12/31/2014
Due to liabilities:				
Difference in expected and actual	\$97,116	12/31/2014	\$19,681	\$77,435
			19,681	77,435
Due to assets:				
Difference in projected and actual	\$48,012	12/31/2014	9,602	38,410
			9,602	38,410
				<u>\$115,845</u>

\$115,845 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Inflows/outflows to Be Recognized in Future Years

Year ended December 31,	
2015	\$29,283
2016	29,283
2017	29,283
2018	27,996
	<u>\$115,845</u>

CITY OF ROYSE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

G. Other Postemployment Benefits

Supplemental Death Benefits Fund (SDBF)

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

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

Contributions

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

The City's contributions to the TMRS SDBF for the years ended 2015, 2014 and 2013 were \$4,342, \$3,489, and \$3,535, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates,

(Retiree-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2013	0.13%	0.13%	100%
2014	0.13%	0.13%	100%
2015	0.13%	0.13%	100%

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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CITY OF ROYSE CITY, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Ad valorem taxes, penalty and interest</i>	\$ 1,884,000	\$ 2,032,000	\$ 2,035,345	\$ 3,345
<i>Sales</i>	1,363,897	1,432,000	1,503,191	71,191
<i>Franchise</i>	409,384	424,400	429,083	4,683
<i>Beverage</i>	3,250	3,500	4,407	907
<i>Fines and fees</i>	280,474	282,600	437,782	155,182
<i>Licenses and permits</i>	158,000	375,500	426,031	50,531
<i>Charges for services</i>	887,400	920,400	922,713	2,313
<i>Intergovernmental</i>	111,503	111,500	113,009	1,509
<i>Interest income</i>	1,500	2,300	7,409	5,109
<i>Miscellaneous</i>	86,000	257,125	224,406	(32,719)
<i>Total revenues</i>	<u>5,185,408</u>	<u>5,841,325</u>	<u>6,103,376</u>	<u>262,051</u>
Expenditures:				
<i>Current:</i>				
<i>General government</i>	2,291,789	2,730,818	2,570,793	160,025
<i>Public safety</i>	2,239,916	2,194,650	2,262,416	(67,766)
<i>Public works</i>	239,980	308,300	256,329	51,971
<i>Public services</i>	505,451	570,941	556,227	14,714
<i>Community development</i>	261,692	436,400	429,311	7,089
<i>Culture and recreation</i>	176,156	190,150	192,343	(2,193)
<i>Environmental services</i>	169,133	186,700	168,825	17,875
<i>Total current</i>	<u>5,884,117</u>	<u>6,617,959</u>	<u>6,436,244</u>	<u>181,715</u>
<i>Capital outlay:</i>				
<i>General government</i>	12,032	12,032	12,032	--
<i>Public works</i>	23,000	23,000	23,000	--
<i>Public services</i>	--	19,309	19,309	--
<i>Total capital outlay</i>	<u>35,032</u>	<u>54,341</u>	<u>54,341</u>	<u>--</u>
<i>Debt service:</i>				
<i>Total expenditures</i>	<u>5,919,149</u>	<u>6,672,300</u>	<u>6,490,585</u>	<u>181,715</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(733,741)	(830,975)	(387,209)	443,766
<i>Other financing sources (uses):</i>				
<i>Transfers in</i>	890,733	898,750	898,733	(17)
<i>Total other financing sources (uses)</i>	<u>890,733</u>	<u>898,750</u>	<u>898,733</u>	<u>(17)</u>
<i>Net change in fund balances</i>	156,992	67,775	511,524	443,749
<i>Fund balances, October 1</i>	503,974	503,974	679,260	175,286
<i>Prior Period Adjustment</i>	--	--	(175,286)	(175,286)
<i>Fund balances, September 30</i>	<u>\$ 660,966</u>	<u>\$ 571,749</u>	<u>\$ 1,015,498</u>	<u>\$ 443,749</u>

CITY OF ROYSE CITY, TEXAS
SCHEDULE OF CHANGES IN THE CITY'S
NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN
LAST TEN FISCAL YEARS

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total pension liability:										
Service cost	\$ 404,223	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Interest	335,002	--	--	--	--	--	--	--	--	--
Changes of benefit terms	--	--	--	--	--	--	--	--	--	--
Differences between expected and actual experience	97,116	--	--	--	--	--	--	--	--	--
Changes of assumptions	--	--	--	--	--	--	--	--	--	--
Benefit payments, including refunds of employee contributions	(100,973)	--	--	--	--	--	--	--	--	--
Net change in total pension liability	735,368	--								
Total pension liability - beginning	4,634,119	--								
Total pension liability - ending (a)	\$ 5,369,487	\$ --								
Plan fiduciary net position:										
Contributions - employer	\$ 257,384	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions - employee	187,480	--	--	--	--	--	--	--	--	--
Net investment income	215,140	--	--	--	--	--	--	--	--	--
Benefit payments, including refunds of employee contributions	(100,973)	--	--	--	--	--	--	--	--	--
Administrative expense	(2,245)	--	--	--	--	--	--	--	--	--
Other	(185)	--	--	--	--	--	--	--	--	--
Net change in plan fiduciary net position	556,601	--								
Plan fiduciary net position - beginning	3,759,314	--								
Plan fiduciary net position - ending (b)	\$ 4,315,915	\$ --								
City's net pension liability - ending (a) - (b)	\$ 1,053,572	\$ --								
Plan fiduciary net position as a percentage of the total pension liability	80.38%	--								
Covered-employee payroll	\$ 2,678,293	\$ --								
City's net pension liability as a percentage of covered-employee payroll	39.34%	--								

Notes to Schedule:

The City implemented GASB 68 for the year ended September 30, 2015

CITY OF ROYSE CITY, TEXAS
SCHEDULE OF CITY CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN
LAST TEN FISCAL YEARS

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 239,078	\$ 245,390	\$ 221,868	\$ 180,934	\$ 199,253	\$ 180,573	\$ 155,910	\$ 138,398	--	\$ --
Contributions in relation to the actuarially determined contribution	(239,078)	(245,390)	(221,868)	(180,934)	(199,253)	(180,573)	(155,910)	(138,398)	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Covered-employee payroll	\$ 2,678,293	\$ 2,484,672	\$ 2,190,427	\$ 2,108,279	\$ 1,987,438	\$ 1,935,740	\$ 1,725,686	\$ 2,333,042	--	\$ --
Contributions as a percentage of covered-employee payroll	8.93%	9.88%	10.13%	8.58%	10.03%	9.33%	9.03%	5.93%	--	--

Notes to Schedule

Valuation date: 12/31/2014

Methods and assumptions used to determine contribution rates:

Valuation timing	Actuarially determined contribution rates are calculated as of December 31, and become effective in January, thirteen months later.
Actuarial cost method	Entry age, normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29 years
Asset valuation method	10 years smoothed market
Inflation	3.0%
Salary increases	3.0% to 12.00%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Cost of living adjustments	Cost of living adjustments are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost of living adjustment is included in the GASB calculations. No assumption for future cost of living adjustments is included in the funding valuation.
Retirement age	Experienced-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 males rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Demographic assumptions	Tables for annual rates for merit salary increases, termination, disability, service retirement, probability of withdrawal, retirement age, turnover, and mortality are available in the annual certification for December 31, 2015 which is included in the TMRS CAFR for December 31, 2015.
Benefit Changes	There were no benefit changes during 2015.

CITY OF ROYSE CITY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2015

(Unaudited)

Information concerning the budget and budget calendar are detailed in footnote II.A. The General Fund budget is presented on a generally accepted accounting principles basis.

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CITY OF ROYSE CITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2015

	Municipal Court Technology	Municipal Court Security	Hotel/Motel Occupancy Tax Fund	Roadway Impact Fees
ASSETS				
Cash and cash equivalents	\$ 28,743	\$ 41,872	\$ 180,950	\$ 635,564
Other receivables	--	--	20,414	--
Total Assets	<u>28,743</u>	<u>41,872</u>	<u>201,364</u>	<u>635,564</u>
LIABILITIES				
Accounts payable	\$ --	\$ --	\$ 700	\$ --
Other liabilities	--	--	--	--
Total Liabilities	<u>--</u>	<u>--</u>	<u>700</u>	<u>--</u>
Fund balances:				
Restricted	28,743	41,872	200,664	635,564
Assigned	--	--	--	--
Total fund balances	<u>28,743</u>	<u>41,872</u>	<u>200,664</u>	<u>635,564</u>
Total Liabilities and Fund Balances	<u>\$ 28,743</u>	<u>\$ 41,872</u>	<u>\$ 201,364</u>	<u>\$ 635,564</u>

Police Forfeiture Federal	Police Forfeiture Local	Verandah Road Maintenance	Library Grant	Library Donations
\$ 15,820	\$ 17,255	\$ 126,000	\$ 1,749	\$ 400
--	--	--	--	--
<u>15,820</u>	<u>17,255</u>	<u>126,000</u>	<u>1,749</u>	<u>400</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	1,121	--	--	--
--	<u>1,121</u>	--	--	--
15,820	16,134	126,000	--	--
--	--	--	1,749	400
<u>15,820</u>	<u>16,134</u>	<u>126,000</u>	<u>1,749</u>	<u>400</u>
<u>\$ 15,820</u>	<u>\$ 17,255</u>	<u>\$ 126,000</u>	<u>\$ 1,749</u>	<u>\$ 400</u>

CITY OF ROYSE CITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2015

	Juvenile Case Management	Senior Center Donations	Main Street Donations	Parks Donations
ASSETS				
Cash and cash equivalents	\$ 23,357	\$ 1,621	\$ 5,836	\$ 26
Other receivables	--	--	--	--
Total Assets	<u>23,357</u>	<u>1,621</u>	<u>5,836</u>	<u>26</u>
LIABILITIES				
Accounts payable	\$ 73	\$ --	\$ 134	\$ --
Other liabilities	--	--	--	--
Total Liabilities	<u>73</u>	<u>--</u>	<u>134</u>	<u>--</u>
<i>Fund balances:</i>				
Restricted	23,284	--	--	--
Assigned	--	1,621	5,702	26
Total fund balances	<u>23,284</u>	<u>1,621</u>	<u>5,702</u>	<u>26</u>
Total Liabilities and Fund Balances	<u>\$ 23,357</u>	<u>\$ 1,621</u>	<u>\$ 5,836</u>	<u>\$ 26</u>

Animal Control Donations	Police Donations	Animal Shelter New Building	Fire Donations	Total Nonmajor Special Revenue Funds (See Exhibit A-3)
\$ 18,761	\$ 1,714	\$ 7,133	\$ 3,557	\$ 1,110,358
208	--	--	--	20,622
<u>18,969</u>	<u>1,714</u>	<u>7,133</u>	<u>3,557</u>	<u>1,130,980</u>
\$ --	\$ --	\$ --	\$ --	\$ 907
--	--	--	--	1,121
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,028</u>
--	--	--	--	1,088,081
18,969	1,714	7,133	3,557	40,871
<u>18,969</u>	<u>1,714</u>	<u>7,133</u>	<u>3,557</u>	<u>1,128,952</u>
\$ <u>18,969</u>	\$ <u>1,714</u>	\$ <u>7,133</u>	\$ <u>3,557</u>	\$ <u>1,130,980</u>

CITY OF ROYSE CITY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Municipal Court Technology	Municipal Court Security	Hotel/Motel Occupancy Tax Fund	Roadway Impact Fees
Revenues:				
<i>Hotel/Motel tax</i>	\$ --	\$ --	\$ 80,254	\$ --
<i>Fines and fees</i>	7,853	5,902	--	--
<i>Impact fees</i>	--	--	--	292,993
<i>Intergovernmental</i>	--	--	--	--
<i>Donations</i>	--	--	--	--
<i>Interest income</i>	--	--	--	369
<i>Miscellaneous</i>	--	--	--	--
Total revenues	<u>7,853</u>	<u>5,902</u>	<u>80,254</u>	<u>293,362</u>
Expenditures:				
<i>Current:</i>				
<i>General government</i>	3,146	290	55,603	--
Total current	<u>3,146</u>	<u>290</u>	<u>55,603</u>	<u>--</u>
<i>Capital outlay:</i>				
<i>General government</i>	--	--	--	--
Total capital outlay	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total expenditures	<u>3,146</u>	<u>290</u>	<u>55,603</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	4,707	5,612	24,651	293,362
<i>Other financing sources (uses):</i>				
<i>Transfers out</i>	--	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balances	4,707	5,612	24,651	293,362
Fund balances, October 1	24,036	36,260	156,042	342,202
Prior Period Adjustment	--	--	19,971	--
Fund balances, September 30	<u>\$ 28,743</u>	<u>\$ 41,872</u>	<u>\$ 200,664</u>	<u>\$ 635,564</u>

Police Forfeiture Federal	Police Forfeiture Local	Verandah Road Maintenance	Library Grant	Library Donations
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	17,100	--	--
--	--	--	--	--
--	--	--	--	--
--	6,822	--	--	--
--	<u>6,822</u>	<u>17,100</u>	<u>--</u>	<u>--</u>
<u>4,539</u>	<u>6,060</u>	<u>--</u>	<u>1,530</u>	<u>--</u>
<u>4,539</u>	<u>6,060</u>	<u>--</u>	<u>1,530</u>	<u>--</u>
--	--	--	--	--
--	--	--	--	--
<u>4,539</u>	<u>6,060</u>	<u>--</u>	<u>1,530</u>	<u>--</u>
(4,539)	762	17,100	(1,530)	--
--	--	--	--	--
--	--	--	--	--
(4,539)	762	17,100	(1,530)	--
20,359	15,372	108,900	3,279	400
--	--	--	--	--
<u>\$ 15,820</u>	<u>\$ 16,134</u>	<u>\$ 126,000</u>	<u>\$ 1,749</u>	<u>\$ 400</u>

CITY OF ROYSE CITY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Juvenile Case Management	Senior Center Donations	Main Street Donations
Revenues:			
Hotel/Motel tax	\$ --	\$ --	\$ --
Fines and fees	10,000	--	--
Impact fees	--	--	--
Intergovernmental	--	--	--
Donations	--	250	20,955
Interest income	--	--	--
Miscellaneous	--	--	--
Total revenues	<u>10,000</u>	<u>250</u>	<u>20,955</u>
Expenditures:			
Current:			
General government	152	--	22,112
Total current	<u>152</u>	<u>--</u>	<u>22,112</u>
Capital outlay:			
General government	--	--	--
Total capital outlay	<u>--</u>	<u>--</u>	<u>--</u>
Total expenditures	<u>152</u>	<u>--</u>	<u>22,112</u>
Excess (deficiency) of revenues over (under) expenditures	9,848	250	(1,157)
Other financing sources (uses):			
Transfers out	(8,000)	--	--
Total other financing sources (uses)	<u>(8,000)</u>	<u>--</u>	<u>--</u>
Net change in fund balances	1,848	250	(1,157)
Fund balances, October 1	21,436	1,371	6,859
Prior Period Adjustment	--	--	--
Fund balances, September 30	<u>\$ 23,284</u>	<u>\$ 1,621</u>	<u>\$ 5,702</u>

Parks Donations	Animal Control Donations	Police Donations	Animal Shelter New Building
\$ --	\$ --	\$ --	\$ --
--	--	--	--
--	--	--	--
28,097	12,935	181	1,133
--	--	--	--
--	--	--	--
<u>28,097</u>	<u>12,935</u>	<u>181</u>	<u>1,133</u>
9,247	726	--	--
<u>9,247</u>	<u>726</u>	<u>--</u>	<u>--</u>
20,000	--	--	--
<u>20,000</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>29,247</u>	<u>726</u>	<u>--</u>	<u>--</u>
(1,150)	12,209	181	1,133
--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
(1,150)	12,209	181	1,133
1,176	6,760	1,533	6,000
--	--	--	--
<u>\$ 26</u>	<u>\$ 18,969</u>	<u>\$ 1,714</u>	<u>\$ 7,133</u>

CITY OF ROYSE CITY, TEXAS
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Fire Donations	TXPW Grant	Total Nonmajor Special Revenue Funds (See Exhibit A-5)
Revenues:			
<i>Hotel/Motel tax</i>	\$ --	\$ --	\$ 80,254
<i>Fines and fees</i>	--	--	23,755
<i>Impact fees</i>	--	--	310,093
<i>Intergovernmental Donations</i>	-- 1,985	1,595 --	1,595 65,536
<i>Interest income</i>	--	--	369
<i>Miscellaneous</i>	--	--	6,822
<i>Total revenues</i>	<u>1,985</u>	<u>1,595</u>	<u>488,424</u>
Expenditures:			
<i>Current:</i>			
<i>General government</i>	9,795	--	113,200
<i>Total current</i>	<u>9,795</u>	<u>--</u>	<u>113,200</u>
<i>Capital outlay:</i>			
<i>General government</i>	--	--	20,000
<i>Total capital outlay</i>	<u>--</u>	<u>--</u>	<u>20,000</u>
<i>Total expenditures</i>	<u>9,795</u>	<u>--</u>	<u>133,200</u>
 Excess (deficiency) of revenues over (under) expenditures	 (7,810)	 1,595	 355,224
Other financing sources (uses):			
<i>Transfers out</i>	--	--	(8,000)
<i>Total other financing sources (uses)</i>	<u>--</u>	<u>--</u>	<u>(8,000)</u>
 <i>Net change in fund balances</i>	 (7,810)	 1,595	 347,224
 Fund balances, October 1	 11,367	 (1,595)	 761,757
Prior Period Adjustment	--	--	19,971
Fund balances, September 30	<u>\$ 3,557</u>	<u>\$ --</u>	<u>\$ 1,128,952</u>

CITY OF ROYSE CITY, TEXAS
MUNICIPAL COURT TECHNOLOGY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
<i>Fines and fees</i>	\$ 7,500	\$ 7,853	\$ 353
<i>Total revenues</i>	<u>7,500</u>	<u>7,853</u>	<u>353</u>
Expenditures:			
Current:			
<i>General government</i>	4,000	3,146	854
<i>Total current</i>	<u>4,000</u>	<u>3,146</u>	<u>854</u>
<i>Net change in fund balances</i>	3,500	4,707	1,207
Fund balances, October 1	24,036	24,036	--
Fund balances, September 30	<u>\$ 27,536</u>	<u>\$ 28,743</u>	<u>\$ 1,207</u>

CITY OF ROYSE CITY, TEXAS
MUNICIPAL COURT SECURITY FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-4

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
<i>Fines and fees</i>	\$ 6,000	\$ 5,902	\$ (98)
<i>Total revenues</i>	<u>6,000</u>	<u>5,902</u>	<u>(98)</u>
Expenditures:			
Current:			
<i>General government</i>	1,000	290	710
<i>Total current</i>	<u>1,000</u>	<u>290</u>	<u>710</u>
Total expenditures	<u>1,000</u>	<u>290</u>	<u>710</u>
<i>Net change in fund balances</i>	5,000	5,612	612
Fund balances, October 1	36,260	36,260	--
Fund balances, September 30	<u>\$ 41,260</u>	<u>\$ 41,872</u>	<u>\$ 612</u>

CITY OF ROYSE CITY, TEXAS
HOTEL/MOTEL OCCUPANCY TAX FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
<i>Hotel motel tax</i>	\$ 79,000	\$ 80,254	\$ 1,254
<i>Total revenues</i>	<u>79,000</u>	<u>80,254</u>	<u>1,254</u>
Expenditures:			
Current:			
<i>General government</i>	76,000	55,603	20,397
<i>Total current</i>	<u>76,000</u>	<u>55,603</u>	<u>20,397</u>
Total expenditures	<u>76,000</u>	<u>55,603</u>	<u>20,397</u>
<i>Net change in fund balances</i>	3,000	24,651	21,651
Fund balances, October 1	176,013	156,042	(19,971)
Prior Period Adjustment	--	19,971	19,971
Fund balances, September 30	<u>\$ 179,013</u>	<u>\$ 200,664</u>	<u>\$ 21,651</u>

CITY OF ROYSE CITY, TEXAS
ROADWAY IMPACT FEES
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-6

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
<i>Impact fees</i>	\$ 275,000	\$ 292,993	\$ 17,993
<i>Interest income</i>	300	369	69
<i>Total revenues</i>	<u>275,300</u>	<u>293,362</u>	<u>18,062</u>
<i>Net change in fund balances</i>	275,300	293,362	18,062
Fund balances, October 1	342,202	342,202	--
Fund balances, September 30	<u>\$ 617,502</u>	<u>\$ 635,564</u>	<u>\$ 18,062</u>

CITY OF ROYSE CITY, TEXAS
POLICE FORFEITURE FEDERAL
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-7

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<i>Expenditures:</i>			
<i>Current:</i>			
<i>General government</i>	\$ 19,600	\$ 4,539	\$ 15,061
<i>Total current</i>	<u>19,600</u>	<u>4,539</u>	<u>15,061</u>
 <i>Net change in fund balances</i>	 (19,600)	 (4,539)	 15,061
 Fund balances, October 1	 20,359	 20,359	 --
Fund balances, September 30	<u>\$ 759</u>	<u>\$ 15,820</u>	<u>\$ 15,061</u>

CITY OF ROYSE CITY, TEXAS
 POLICE FORFEITURE LOCAL
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-8

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Miscellaneous</i>	\$ 7,800	\$ 6,822	\$ (978)
<i>Total revenues</i>	<u>7,800</u>	<u>6,822</u>	<u>(978)</u>
Expenditures:			
Current:			
<i>General government</i>	22,100	6,060	16,040
<i>Total current</i>	<u>22,100</u>	<u>6,060</u>	<u>16,040</u>
Total expenditures	<u>22,100</u>	<u>6,060</u>	<u>16,040</u>
<i>Net change in fund balances</i>	(14,300)	762	15,062
Fund balances, October 1	15,372	15,372	--
Fund balances, September 30	<u>\$ 1,072</u>	<u>\$ 16,134</u>	<u>\$ 15,062</u>

CITY OF ROYSE CITY, TEXAS
VERANDAH ROAD MAINTENANCE
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-9

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
<i>Impact fees</i>	\$ 12,000	\$ 17,100	\$ 5,100
<i>Total revenues</i>	<u>12,000</u>	<u>17,100</u>	<u>5,100</u>
 <i>Net change in fund balances</i>	 12,000	 17,100	 5,100
 Fund balances, October 1	 108,900	 108,900	 --
Fund balances, September 30	<u>\$ 120,900</u>	<u>\$ 126,000</u>	<u>\$ 5,100</u>

CITY OF ROYSE CITY, TEXAS
JUVENILE CASE MANAGEMENT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-10

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Fines and fees</i>	\$ 10,200	\$ 10,000	\$ (200)
<i>Total revenues</i>	<u>10,200</u>	<u>10,000</u>	<u>(200)</u>
Expenditures:			
Current:			
<i>General government</i>	500	152	348
<i>Total current</i>	<u>500</u>	<u>152</u>	<u>348</u>
Total expenditures	<u>500</u>	<u>152</u>	<u>348</u>
Excess (deficiency) of revenues over (under) expenditures	9,700	9,848	148
Other financing sources (uses):			
<i>Transfers out</i>	(8,000)	(8,000)	--
<i>Total other financing sources (uses)</i>	<u>(8,000)</u>	<u>(8,000)</u>	<u>--</u>
Net change in fund balances	1,700	1,848	148
Fund balances, October 1	21,436	21,436	--
Fund balances, September 30	<u>\$ 23,136</u>	<u>\$ 23,284</u>	<u>\$ 148</u>

CITY OF ROYSE CITY, TEXAS
 SENIOR CENTER DONATIONS
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-11

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
<i>Donations</i>	\$ 250	\$ 250	\$ --
<i>Total revenues</i>	<u>250</u>	<u>250</u>	<u>--</u>
 <i>Net change in fund balances</i>	 250	 250	 --
 Fund balances, October 1	 1,371	 1,371	 --
Fund balances, September 30	<u>\$ 1,621</u>	<u>\$ 1,621</u>	<u>\$ --</u>

CITY OF ROYSE CITY, TEXAS
MAIN STREET DONATIONS
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-12

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
<i>Donations</i>	\$ 20,500	\$ 20,955	\$ 455
<i>Total revenues</i>	<u>20,500</u>	<u>20,955</u>	<u>455</u>
Expenditures:			
<i>Current:</i>			
<i>General government</i>	19,000	22,112	(3,112)
<i>Total current</i>	<u>19,000</u>	<u>22,112</u>	<u>(3,112)</u>
Total expenditures	<u>19,000</u>	<u>22,112</u>	<u>(3,112)</u>
<i>Net change in fund balances</i>	1,500	(1,157)	(2,657)
Fund balances, October 1	6,859	6,859	--
Fund balances, September 30	<u>\$ 8,359</u>	<u>\$ 5,702</u>	<u>\$ (2,657)</u>

CITY OF ROYSE CITY, TEXAS
PARKS DONATIONS
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-13

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
<i>Donations</i>	\$ 27,700	\$ 28,097	\$ 397
<i>Total revenues</i>	<u>27,700</u>	<u>28,097</u>	<u>397</u>
Expenditures:			
Current:			
<i>General government</i>	7,000	9,247	(2,247)
<i>Total current</i>	<u>7,000</u>	<u>9,247</u>	<u>(2,247)</u>
Capital outlay:			
<i>General government</i>	20,000	20,000	--
<i>Total capital outlay</i>	<u>20,000</u>	<u>20,000</u>	<u>--</u>
Total expenditures	<u>27,000</u>	<u>29,247</u>	<u>(2,247)</u>
Net change in fund balances	700	(1,150)	(1,850)
Fund balances, October 1	1,176	1,176	--
Fund balances, September 30	<u>\$ 1,876</u>	<u>\$ 26</u>	<u>\$ (1,850)</u>

CITY OF ROYSE CITY, TEXAS
ANIMAL CONTROL DONATIONS
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-14

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
<i>Donations</i>	\$ 7,500	\$ 12,935	\$ 5,435
<i>Total revenues</i>	<u>7,500</u>	<u>12,935</u>	<u>5,435</u>
Expenditures:			
<i>Current:</i>			
<i>General government</i>	4,000	726	3,274
<i>Total current</i>	<u>4,000</u>	<u>726</u>	<u>3,274</u>
 Total expenditures	<u>4,000</u>	<u>726</u>	<u>3,274</u>
<i>Net change in fund balances</i>	3,500	12,209	8,709
Fund balances, October 1	6,760	6,760	--
Fund balances, September 30	<u>\$ 10,260</u>	<u>\$ 18,969</u>	<u>\$ 8,709</u>

CITY OF ROYSE CITY, TEXAS
POLICE DONATIONS
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-15

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
<i>Donations</i>	\$ --	\$ 181	\$ 181
<i>Total revenues</i>	<u> --</u>	<u> 181</u>	<u> 181</u>
Expenditures:			
<i>Current:</i>			
<i>General government</i>	500	--	500
<i>Total current</i>	<u> 500</u>	<u> --</u>	<u> 500</u>
 <i>Total expenditures</i>	<u> 500</u>	<u> --</u>	<u> 500</u>
<i>Net change in fund balances</i>	(500)	181	681
Fund balances, October 1	1,533	1,533	--
Fund balances, September 30	<u>\$ 1,033</u>	<u>\$ 1,714</u>	<u>\$ 681</u>

CITY OF ROYSE CITY, TEXAS
ANIMAL SHELTER - NEW BUILDING
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-16

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
<i>Donations</i>	\$ 1,000	\$ 1,133	\$ 133
<i>Total revenues</i>	<u>1,000</u>	<u>1,133</u>	<u>133</u>
<i>Net change in fund balances</i>	1,000	1,133	133
Fund balances, October 1	6,000	6,000	--
Fund balances, September 30	<u>\$ 7,000</u>	<u>\$ 7,133</u>	<u>\$ 133</u>

CITY OF ROYSE CITY, TEXAS
FIRE DONATIONS
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-17

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
<i>Donations</i>	\$ 2,000	\$ 1,985	\$ (15)
<i>Total revenues</i>	<u>2,000</u>	<u>1,985</u>	<u>(15)</u>
Expenditures:			
<i>Current:</i>			
<i>General government</i>	9,800	9,795	5
<i>Total current</i>	<u>9,800</u>	<u>9,795</u>	<u>5</u>
Total expenditures	<u>9,800</u>	<u>9,795</u>	<u>5</u>
<i>Net change in fund balances</i>	(7,800)	(7,810)	(10)
Fund balances, October 1	11,367	11,367	--
Fund balances, September 30	<u>\$ 3,567</u>	<u>\$ 3,557</u>	<u>\$ (10)</u>

CITY OF ROYSE CITY, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-18

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
<i>Ad valorem taxes, penalty and interest</i>	\$ 1,412,000	\$ 1,401,444	\$ (10,556)
<i>Interest income</i>	1,500	1,596	96
<i>Total revenues</i>	<u>1,413,500</u>	<u>1,403,040</u>	<u>(10,460)</u>
Expenditures:			
Current:			
Capital outlay:			
Debt service:			
Principal	501,800	503,286	(1,486)
Interest	351,375	351,310	65
Total debt service	<u>853,175</u>	<u>854,596</u>	<u>(1,421)</u>
Total expenditures	<u>853,175</u>	<u>854,596</u>	<u>(1,421)</u>
Excess (deficiency) of revenues over (under) expenditures	560,325	548,444	(11,881)
Other financing sources (uses):			
Transfers out	(654,712)	(654,712)	--
Total other financing sources (uses)	<u>(654,712)</u>	<u>(654,712)</u>	<u>--</u>
Net change in fund balances	(94,387)	(106,268)	(11,881)
Fund balances, October 1	816,518	816,518	--
Fund balances, September 30	<u>\$ 722,131</u>	<u>\$ 710,250</u>	<u>\$ (11,881)</u>

CITY OF ROYSE CITY, TEXAS

BALANCE SHEET - ROYSE CITY COMMUNITY DEVELOPMENT CORPORATION
 SEPTEMBER 30, 2015

	General Fund
ASSETS	
<i>Cash and cash equivalents</i>	\$ 1,344,310
<i>Due from other governments</i>	97,185
Total Assets	<u>1,441,495</u>
LIABILITIES	
<i>Other liabilities</i>	\$ 6,864
<i>Due to primary government</i>	98,447
Total Liabilities	<u>105,311</u>
<i>Fund balances:</i>	
<i>Restricted</i>	1,336,184
<i>Total fund balances</i>	<u>1,336,184</u>
<i>Total Liabilities, Deferred Inflows</i>	
Total Liabilities and Fund Balances	<u>\$ 1,441,495</u>

CITY OF ROYSE CITY, TEXAS

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - ROYSE CITY COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2015*

Total fund balances - governmental funds balance sheet	\$ 1,336,184
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Recognition of the CDC's proportionate share of the net pension liability is not reported in the funds.	(167,518)
Deferred resource outflows related to the pension plan are not reported in the funds.	<u>68,423</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 1,237,089</u>

The accompanying notes are an integral part of this statement.

CITY OF ROYSE CITY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - ROYSE CITY COMMUNITY DEVELOPMENT CORPORATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund
Revenues:	
<i>Sales</i>	\$ 500,868
<i>Interest income</i>	3,066
<i>Miscellaneous</i>	6,300
<i>Total revenues</i>	<u>510,234</u>
Expenditures:	
Current:	
<i>General government</i>	<u>271,172</u>
<i>Total current</i>	<u>271,172</u>
Total expenditures	<u>271,172</u>
<i>Net change in fund balances</i>	239,062
Fund balances, October 1	867,023
Prior Period Adjustment	230,099
Fund balances, September 30	<u>\$ 1,336,184</u>

CITY OF ROYSE CITY, TEXAS

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF ROYSE CITY COMMUNITY DEVELOPMENT CORPORATION
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

Net change in fund balances - total governmental funds	\$ 239,062
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>11,502</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 250,564</u>

The accompanying notes are an integral part of this statement.