

**CITY OF ROYSE CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

Construction commitments

The City has active construction projects as of September 30, 2016, consisting of street and water system improvements.

Project	Spent to Date	Remaining Commitment
Wood Street reconstruction	\$71,356	\$81,724
FM 2642/130 waterline	2,891	20,578
Bell Street Waterline water system	238,613	129,656
	<u>\$312,860</u>	<u>\$231,958</u>

The street reconstruction project is being financed by bond proceeds. The water system improvements are being financed by bond proceeds, and a TXDOT reimbursement.

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2016, is as follows:

Fund	Receivable	Payable
General Fund	\$21,987	\$ --
Debt Service Fund		21,987
2016 Bonds Capital Projects	--	115,250
Water and Sewer Fund	115,250	--
Totals	<u>\$137,237</u>	<u>\$137,237</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, 2016, is as follows:

Fund	Transfer In	Transfer Out
<b>Major Governmental Funds</b>		
General Fund	\$743,000	\$ --
Debt Service Fund	--	--
<b>Nonmajor Governmental Funds</b>		
Roadway Impact Fees		15,000
Juvenile Case Management		8,000
Water and Sewer Enterprise Fund	--	720,000
Totals	<u>\$743,000</u>	<u>\$743,000</u>

Transfers are made to fund general administrative operations.

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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.

General Obligation Debt Outstanding as of September 30, 2016, is as follows:

Description	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/16
<b>Governmental Activities</b>					
<b>Total General Obligation Bonds</b>					
<b>Certificates of Obligation Bonds:</b>					
CO, Series 2006	1,875,000	2006	2026	4.03%	\$1,200,000
CO, Series 2007 A	7,850,000	2007	2027	4.25%-5.75%	5,340,000
CO, Series 2011	535,000	2011	2031	4.25%	485,000
CO, Series 2016	1,915,000	2016	2036	2.00%-3.00%	1,915,000
<b>Total Certificates of Obligation</b>					<b>8,940,000</b>
<b>Total Governmental Activities General Obligation Debt</b>					<b>8,940,000</b>
<b>Business-type Activities:</b>					
<b>General Obligation Bonds:</b>					
GO Refunding, Series 2010	555,000	2010	2019	2.00%-3.75%	360,000
GO Refunding, Series 2014	4,695,000	2014	2030	1.50%-3.50%	4,025,000
<b>Total General Obligation Bonds</b>					<b>4,385,000</b>
<b>Certificates of Obligation Bonds:</b>					
CO, Series 2007B	4,695,000	2007	2027	5.81%-6.38%	3,325,000
CO, Series 2010	3,690,000	2010	2019	2.00%-4.50%	3,165,000
CO, Series 2013	1,585,000	2013	2033	2.00%-3.00%	1,455,000
CO, Series 2016	575,000	2016	2036	2.00%-3.00%	575,000
<b>Total Certificates of obligation</b>					<b>8,520,000</b>
<b>Total business-type general obligation debt</b>					<b>12,905,000</b>
<b>Total General Debt</b>					<b>\$21,845,000</b>

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Annual debt service requirements to maturity for general debt:

Year	Governmental Activities		Business Type Activities		Total
	Principal	Interest	Principal	Interest	
2017	\$645,000	\$379,325	\$920,000	\$523,131	\$2,467,456
2018	675,000	340,168	945,000	487,900	2,448,068
2019	705,000	314,474	980,000	453,326	2,452,800
2020	735,000	287,603	890,000	417,107	2,329,710
2021	765,000	257,394	920,000	382,850	2,325,244
2022-2026	4,190,000	790,795	4,670,000	1,338,129	10,988,924
2027-2031	995,000	103,288	3,195,000	352,248	4,645,536
2032-2036	230,000	18,911	385,000	23,802	657,713
<b>Total</b>	<b>\$8,940,000</b>	<b>\$2,491,958</b>	<b>\$12,905,000</b>	<b>\$3,978,493</b>	<b>\$28,315,451</b>

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, 2016 are as follows:

Purpose	Original Amount	Year Issue	Final Maturity	Interest Rate	Balance 9/30/16
<b>Capital Leases</b>					
<b>Governmental activities</b>					
Public safety vehicles	\$63,680	2012	2017	3.98%	\$13,525
Public safety vehicles	154,197	2015	2018	2.95%	102,192
					<u>115,717</u>
<b>Business-type activities</b>					
Backhoe	\$67,724	2015	2020	3.504%	50,927
<b>Total Capitalized Lease Obligations</b>					<u><u>\$166,644</u></u>

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

Year	Governmental Activities	Business-type Activities	Total
2017	\$67,829	\$13,866	\$81,695
2018	53,838	13,866	67,704
2019	—	13,866	13,866
2020	—	13,866	13,866
Total payments	121,667	55,464	177,131
Less imputed interest	(5,950)	(4,537)	(10,487)
Total Capital Lease Obligations	<u>\$115,717</u>	<u>\$50,927</u>	<u>\$166,644</u>

**CHANGES IN LONG-TERM LIABILITIES**

During the year ended September 30, 2016, the following changes occurred in liabilities reported in the capital long-term debt:

	Balance 9/30/15	Additions	Retirements	Balance 9/30/16	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$7,000	\$ —	(\$7,000)	\$ —	\$ —
Certificates of obligation	7,500,000	1,915,000	(475,000)	8,940,000	645,000
Deferred amounts:					
Unamortized premium (discount)	(64,525)	90,275	(5,325)	20,425	(874)
Total bonds payable	7,442,475	2,005,275	(487,325)	8,960,425	644,126
Capital lease obligations	42,672	154,197	(81,152)	115,717	65,493
Compensated absences	107,663	108,694	(107,663)	108,694	10,869
Net pension liability	784,911	486,601	—	1,271,512	—
Governmental activity Long-Term Liabilities	<u>\$8,377,721</u>	<u>\$2,754,767</u>	<u>(\$676,140)</u>	<u>\$10,456,348</u>	<u>\$720,488</u>

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	Balance 9/30/15	Additions	Retirements	Balance 9/30/16	Due Within One Year
<b>Business-type activities:</b>					
General obligation bonds	\$4,810,000	\$ --	(\$425,000)	\$4,385,000	\$435,000
Certificates of obligation	8,380,000	575,000	(435,000)	8,520,000	485,000
Unamortized premium (discount)	2,019	26,257	4,728	33,004	1,913
<b>Total bonds payable</b>	<b>13,192,019</b>	<b>601,257</b>	<b>(855,272)</b>	<b>12,938,004</b>	<b>921,913</b>
Capital lease	62,724	--	(11,797)	50,927	12,082
Compensated absences	12,279	11,527	(12,279)	11,527	1,152
Net pension liability	101,143	134,912	--	236,055	--
<b>Business-type activities</b>	<b>\$13,368,165</b>	<b>\$747,696</b>	<b>(\$879,348)</b>	<b>\$13,236,513</b>	<b>\$935,147</b>

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, 2016:

**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

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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 \$12,905,000 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. Related Party Transactions**

The CDC leases office space from a member of the CDC board of directors. Total rental expense for the year was \$ 6,600.

**E. Commitment for Economic Development**

The City entered into an agreement with a developer under the Chapter 380 Economic Development Program as of April 7, 2008. Under terms of the agreement, the Developer paid for certain infrastructure improvements normally paid for by the City. Upon completion of the project, the Developer is to be reimbursed for the infrastructure by receiving a portion of the sales tax generated by the new businesses. The total amount paid to the developer out of sales tax for the fiscal year ended September 30, 2016 was \$108,443. The remaining balance to be reimbursed was \$8,066,113 at September 30, 2016.

**F. Retirement Commitments**

**1. Plan Description**

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

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

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

Inactive employees (or their beneficiaries) currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	33
Active employees	56
	<hr/>
	106
	<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 12.64% and 12.68% in calendar years 2015 and 2016, respectively. The city's contributions to TMRS for the year ended September 30, 2016, were \$402,912 and were equal to the required contributions.

4. Net Pension Liability

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

**Actuarial assumptions:**

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

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, 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 Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year

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set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

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

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

The long-term expected rate of return on pension plan investments is 6.75%. 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	Long-term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.50%	4.55%
International equities	17.50%	6.10%
Core fixed income	10.00%	1.00%
Non-core fixed income	20.00%	3.65%
Real return	10.00%	4.03%
Real estate	10.00%	5.00%
Absolute return	10.00%	4.00%
Private equity	5.00%	8.00%
	100.00%	



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*Discount Rate*

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

*Changes in the net pension liability*

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
	[a]	[b]	[c]
Balance at 12/31/14	\$5,369,487	\$4,315,915	\$1,053,572
Changes for the year:			
Service cost	499,985	--	499,985
Interest	389,694	--	389,694
Change of benefit terms	--	--	--
Difference between expected and actual experience	81,108	--	81,108
Changes of assumptions	128,063	--	128,063
Contributions - employer	--	412,033	(412,033)
Contributions - employees	--	230,554	(230,554)
Net investment income	--	6,369	(6,369)
Benefit payments including refunds of employee contributions	(104,842)	(104,842)	--
Amortization of prior year assets	--	--	--
Administrative expense	--	(3,879)	3,879
Other changes	--	(191)	191
Net changes	994,008	540,044	453,964
Balance at 12/31/15	\$6,363,495	\$4,855,959	\$1,507,536

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

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

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net Pension Liability/(Asset)	\$2,559,475	\$1,507,536	\$654,712

*Pension Plan Fiduciary Net Position*

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

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

For the year ended September 30, 2016, the City recognized pension expense of \$489,205. At September 30, 2016, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Original Amount	Date Established	Original Recognition Period	Amount Recognized In 12/31/15 Expense	Date of Deferred (Inflows)/Outflows 12/31/2015
<b>Due to liabilities:</b>					
<b>Difference in expected and actual experience</b>					
(actuarial (gains) or losses)	\$81,808	12/31/15	5.2700	\$15,391	\$65,717
	97,116	12/31/14	4.9346	19,681	57,754
<b>Difference in assumption changes</b>					
(actuarial (gains) or losses)	128,063	12/31/2015	5.2700	24,300	103,763
				<u>59,372</u>	<u>227,234</u>
<b>Due to assets:</b>					
<b>Difference in projected and actual earnings on</b>					
pension plan reserves (actuarial (gains)/losses)	295,745	12/31/15	5.0000	59,149	236,596
	48,012	12/31/14	5.0000	9,602	28,808
<b>Employer contributions made subsequent to</b>					
measurement date					<u>296,589</u>
				<u>68,751</u>	<u>561,993</u>
				<u>\$128,123</u>	<u>\$789,227</u>

\$492,638 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Inflows/outflows to Be Recognized in Future Years	
Year ended December 31,	
2016	\$128,123
2017	128,123
2018	126,836
2019	98,840
2020	10,716
	<u>\$492,638</u>

**E. 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

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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 2016, 2015 and 2014 were \$4,893, \$4,342, and \$3,489, 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
2014	0.13%	0.13%	100%
2015	0.13%	0.13%	100%
2016	0.16%	0.16%	100%

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### *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, 2016**

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes, penalty and interest	\$ 2,291,000	\$ 2,474,400	\$ 2,486,233	\$ 11,833
Sales	1,773,900	1,629,500	1,746,482	116,982
Franchise	436,500	463,400	481,039	17,639
Beverage	3,300	5,200	5,292	92
Fines and fees	278,000	198,500	234,848	36,348
Licenses and permits	235,000	338,000	354,498	16,498
Charges for services	949,600	1,157,100	1,172,582	15,482
Intergovernmental	111,500	112,000	115,821	3,821
Interest income	2,000	6,500	21,399	14,899
Miscellaneous	67,000	70,500	58,946	(11,554)
<b>Total revenues</b>	<b>6,147,800</b>	<b>6,455,100</b>	<b>6,677,140</b>	<b>222,040</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	2,529,950	2,578,950	2,503,525	75,425
Public safety	2,475,650	2,337,950	2,215,890	122,060
Public works	345,850	342,800	315,793	27,007
Public services	640,666	660,266	610,348	49,918
Community development	416,400	508,250	496,128	12,122
Culture and recreation	199,700	209,400	201,643	7,757
Environmental services	196,600	191,300	162,807	28,493
<b>Total current</b>	<b>6,804,816</b>	<b>6,828,916</b>	<b>6,506,134</b>	<b>322,782</b>
<b>Capital outlay:</b>				
Public safety	--	--	113,312	(113,312)
Public services	6,435	6,435	6,435	--
Community development	--	--	20,443	(20,443)
Environmental services	--	--	20,443	(20,443)
<b>Total capital outlay</b>	<b>6,435</b>	<b>6,435</b>	<b>160,633</b>	<b>(154,198)</b>
<b>Total expenditures</b>	<b>6,811,250</b>	<b>6,835,350</b>	<b>6,666,767</b>	<b>168,583</b>
Excess (deficiency) of revenues over (under) expenditures	(663,450)	(380,250)	10,373	390,623
<b>Other financing sources (uses):</b>				
Transfers in	743,000	743,000	743,000	--
Capital leases	--	--	154,197	154,197
<b>Total other financing sources (uses)</b>	<b>743,000</b>	<b>743,000</b>	<b>897,197</b>	<b>154,197</b>
<b>Net change in fund balances</b>	<b>79,550</b>	<b>362,750</b>	<b>907,570</b>	<b>544,820</b>
Fund balances, October 1	1,015,498	1,015,498	1,015,498	--
<b>Fund balances, September 30</b>	<b>\$ 1,095,048</b>	<b>\$ 1,378,248</b>	<b>\$ 1,923,068</b>	<b>\$ 544,820</b>

**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 PLAN YEARS**

	December 31,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Total pension liability:</b>										
Service cost	\$ 499,985	\$ 404,223	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Interest	389,694	335,002	--	--	--	--	--	--	--	--
Changes of benefit terms and actual experience	--	--	--	--	--	--	--	--	--	--
Changes of assumptions	81,108	97,116	--	--	--	--	--	--	--	--
Benefit payments, including refunds of employee contributions	128,063	--	--	--	--	--	--	--	--	--
Net change in total pension liability	(104,842)	(100,973)	--	--	--	--	--	--	--	--
Total pension liability - beginning	994,008	735,368	--	--	--	--	--	--	--	--
Total pension liability - ending (a)	5,369,487	4,634,119	--	--	--	--	--	--	--	--
	\$ 5,363,495	\$ 5,369,487	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
<b>Plan fiduciary net position:</b>										
Contributions - employer	\$ 412,033	\$ 257,384	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions - employee	230,554	187,480	--	--	--	--	--	--	--	--
Net investment income	6,369	215,140	--	--	--	--	--	--	--	--
Benefit payments, including refunds of employee contributions	(104,842)	(100,973)	--	--	--	--	--	--	--	--
Administrative expense	(3,879)	(2,245)	--	--	--	--	--	--	--	--
Other	(191)	(185)	--	--	--	--	--	--	--	--
Net change in plan fiduciary net position	540,044	556,601	--	--	--	--	--	--	--	--
Plan fiduciary net position - beginning	4,315,915	3,759,314	--	--	--	--	--	--	--	--
Plan fiduciary net position - ending (b)	\$ 4,855,959	\$ 4,315,915	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
City's net pension liability - ending (a) - (b)	\$ 1,507,536	\$ 1,053,572	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Plan fiduciary net position as a percentage of the total pension liability	76.31%	80.38%	--	--	--	--	--	--	--	--
Covered-employee payroll	\$ 2,939,358	\$ 2,678,293	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
City's net pension liability as a percentage of covered-employee payroll	51.29%	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**

	September 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 402,912	\$ 383,045	\$ 245,210	\$ 212,224	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the actuarially determined contribution	(402,912)	(383,045)	(245,210)	(212,224)	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Covered-employee payroll	\$ 3,218,834	\$ 2,956,212	\$ 2,574,384	\$ 2,398,011	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	12.52%	12.96%	9.52%	8.85%	--	--	--	--	--	--

**Notes to Schedule**

Valuation date: 12/31/2015

**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: 28 years.
- Asset valuation method: 10 years smoothed market
- Inflation: 2.5%
- Salary increases: 3.5% to 10.50%, including inflation
- Investment rate of return: 6.75%, 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 2015 valuation pursuant to an experience study of the period 2010-2015.
- 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 2016.

**CITY OF ROYSE CITY, TEXAS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2016

(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 GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2016**

	Special Revenue Funds	Capital Projects Fund 2016 Bonds Capital Projects	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,465,531	\$ 1,303,867	\$ 2,769,398
<i>Receivables (net of allowances for uncollectibles):</i>			
<i>Other receivables</i>	24,950	5,324	30,274
<b>Total Assets</b>	<u>1,490,481</u>	<u>1,309,191</u>	<u>2,799,672</u>
<b>LIABILITIES</b>			
<i>Accounts payable</i>	\$ 28,998	\$ 3,934	\$ 32,932
<i>Other liabilities</i>	1,121	-	1,121
<i>Due to other funds</i>	-	115,250	115,250
<b>Total Liabilities</b>	<u>30,119</u>	<u>119,184</u>	<u>149,303</u>
<b>FUND BALANCES</b>			
<i>Restricted</i>	1,411,531	1,190,007	2,601,538
<i>Assigned</i>	48,831	-	48,831
<b>Total fund balances</b>	<u>1,460,362</u>	<u>1,190,007</u>	<u>2,650,369</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,490,481</u>	<u>\$ 1,309,191</u>	<u>\$ 2,799,672</u>

**CITY OF ROYSE CITY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Special Revenue Funds	Capital Projects Fund 2016 Bonds Capital Projects	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenues:</b>			
<i>Hotel motel tax</i>	\$ 103,989	\$ --	\$ 103,989
<i>Fines and fees</i>	15,489	--	15,489
<i>Charges for services</i>	1,059	--	1,059
<i>Impact fees</i>	342,744	--	342,744
<i>Donations</i>	53,738	--	53,738
<i>Interest income</i>	4,079	5,655	9,734
<i>Total revenues</i>	<u>521,098</u>	<u>5,655</u>	<u>526,753</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<i>General government</i>	84,539	--	84,539
<i>Public works</i>	8,535	--	8,535
<i>Culture and recreation</i>	353	--	353
<i>Total current</i>	<u>93,427</u>	<u>--</u>	<u>93,427</u>
<b>Capital outlay:</b>			
<i>General government</i>	65,423	--	65,423
<i>Public works</i>	--	778,505	778,505
<i>Environmental services</i>	7,838	--	7,838
<i>Total capital outlay</i>	<u>73,261</u>	<u>778,505</u>	<u>851,766</u>
<b>Debt service:</b>			
<i>Bond issuance cost</i>	--	41,147	41,147
<i>Total debt service</i>	<u>--</u>	<u>41,147</u>	<u>41,147</u>
<b>Total expenditures</b>	<u>166,688</u>	<u>819,652</u>	<u>986,340</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>354,410</b>	<b>(813,997)</b>	<b>(459,587)</b>
<b>Other financing sources (uses):</b>			
<i>Transfers out</i>	(23,000)	--	(23,000)
<i>Issuance of long-term debt</i>	--	1,911,221	1,911,221
<i>Premium on bonds issued</i>	--	92,783	92,783
<i>Total other financing sources (uses)</i>	<u>(23,000)</u>	<u>2,004,004</u>	<u>1,981,004</u>
<b>Net change in fund balances</b>	<b>331,410</b>	<b>1,190,007</b>	<b>1,521,417</b>
<b>Fund balances, October 1</b>	<b>1,128,952</b>	<b>--</b>	<b>1,128,952</b>
<b>Fund balances, September 30</b>	<b>\$ <u>1,460,362</u></b>	<b>\$ <u>1,190,007</u></b>	<b>\$ <u>2,650,369</u></b>

**CITY OF ROYSE CITY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2016**

	Municipal Court Technology	Municipal Court Security	Hotel/Motel Occupancy Tax Fund	Roadway Impact Fees
<b>ASSETS</b>				
Cash and cash equivalents	\$ 27,593	\$ 45,247	\$ 226,004	\$ 955,487
Receivables (net of allowances for uncollectibles):				
Other receivables	--	--	24,950	--
Total Assets	<u>27,593</u>	<u>45,247</u>	<u>250,954</u>	<u>955,487</u>
<b>LIABILITIES</b>				
Accounts payable	\$ --	\$ --	\$ 27,900	\$ --
Other liabilities	--	--	--	--
Total Liabilities	<u>--</u>	<u>--</u>	<u>27,900</u>	<u>--</u>
<b>FUND BALANCES</b>				
Restricted	27,593	45,247	223,054	955,487
Assigned	--	--	--	--
Total fund balances	<u>27,593</u>	<u>45,247</u>	<u>223,054</u>	<u>955,487</u>
Total Liabilities and Fund Balances	<u>\$ 27,593</u>	<u>\$ 45,247</u>	<u>\$ 250,954</u>	<u>\$ 955,487</u>

Police Forfeiture Local	Verandah Road Maintenance	Library Grant	Library Donations	Juvenile Case Management
\$ 3,781	\$ 137,400	\$ 1,749	\$ 400	\$ 20,144
--	--	--	--	--
<u>3,781</u>	<u>137,400</u>	<u>1,749</u>	<u>400</u>	<u>20,144</u>
\$ --	\$ --	\$ --	\$ --	\$ 54
1,121	--	--	--	--
<u>1,121</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>54</u>
2,660	137,400	--	--	20,090
--	--	1,749	400	--
<u>2,660</u>	<u>137,400</u>	<u>1,749</u>	<u>400</u>	<u>20,090</u>
<u>\$ 3,781</u>	<u>\$ 137,400</u>	<u>\$ 1,749</u>	<u>\$ 400</u>	<u>\$ 20,144</u>

**CITY OF ROYSE CITY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2016**

	Senior Center Donations	Main Street Donations	Parks Donations
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,853	\$ 10,071	\$ 186
Receivables (net of allowances for uncollectibles):			
Other receivables	--	--	--
Total Assets	<u>1,853</u>	<u>10,071</u>	<u>186</u>
<b>LIABILITIES</b>			
Accounts payable	\$ --	\$ 1,044	\$ --
Other liabilities	--	--	--
Total Liabilities	<u>--</u>	<u>1,044</u>	<u>--</u>
<b>FUND BALANCES</b>			
Restricted	--	--	--
Assigned	1,853	9,027	186
Total fund balances	<u>1,853</u>	<u>9,027</u>	<u>186</u>
Total Liabilities and Fund Balances	<u>\$ 1,853</u>	<u>\$ 10,071</u>	<u>\$ 186</u>



<u>Animal Control Donations</u>	<u>Police Donations</u>	<u>Animal Shelter New Building</u>	<u>Fire Donations</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-1)</u>
\$ 14,780	\$ 12,790	\$ 7,133	\$ 913	\$ 1,465,531
--	--	--	--	24,950
<u>14,780</u>	<u>12,790</u>	<u>7,133</u>	<u>913</u>	<u>1,490,481</u>
\$ --	\$ --	\$ --	\$ --	\$ 28,998
--	--	--	--	1,121
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>30,119</u>
--	--	--	--	1,411,531
14,780	12,790	7,133	913	48,831
<u>14,780</u>	<u>12,790</u>	<u>7,133</u>	<u>913</u>	<u>1,460,362</u>
<u>\$ 14,780</u>	<u>\$ 12,790</u>	<u>\$ 7,133</u>	<u>\$ 913</u>	<u>\$ 1,490,481</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, 2016

	Municipal Court Technology	Municipal Court Security	Hotel/Motel Occupancy Tax Fund	Roadway Impact Fees
<b>Revenues:</b>				
<i>Hotel motel tax</i>	\$ --	\$ --	\$ 103,989	\$ --
<i>Fines and fees</i>	5,165	3,875	--	--
<i>Charges for services</i>	--	--	--	--
<i>Impact fees</i>	--	--	--	331,344
<i>Donations</i>	--	--	--	--
<i>Interest income</i>	--	--	--	3,579
<b>Total revenues</b>	<u>5,165</u>	<u>3,875</u>	<u>103,989</u>	<u>334,923</u>
<b>Expenditures:</b>				
<i>Current:</i>				
<i>General government</i>	6,315	500	57,099	--
<i>Public works</i>	--	--	--	--
<i>Culture and recreation</i>	--	--	--	--
<b>Total current</b>	<u>6,315</u>	<u>500</u>	<u>57,099</u>	<u>--</u>
<i>Capital outlay:</i>				
<i>General government</i>	--	--	24,500	--
<i>Environmental services</i>	--	--	--	--
<b>Total capital outlay</b>	<u>--</u>	<u>--</u>	<u>24,500</u>	<u>--</u>
<b>Debt service:</b>				
<b>Total expenditures</b>	<u>6,315</u>	<u>500</u>	<u>81,599</u>	<u>--</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(1,150)	3,375	22,390	334,923
<b>Other financing sources (uses):</b>				
<i>Transfers out</i>	--	--	--	(15,000)
<b>Total other financing sources (uses)</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(15,000)</u>
<b>Net change in fund balances</b>	(1,150)	3,375	22,390	319,923
<b>Fund balances, October 1</b>	28,743	41,872	200,664	635,564
<b>Fund balances, September 30</b>	<u>\$ 27,593</u>	<u>\$ 45,247</u>	<u>\$ 223,054</u>	<u>\$ 955,487</u>

Police Forfeiture Federal	Police Forfeiture Local	Verandah Road Maintenance	Library Grant	Library Donations
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	11,400	--	--
--	500	--	--	--
--	500	11,400	--	--
--	--	--	--	--
--	--	--	--	--
15,820	13,974	--	--	--
--	--	--	--	--
15,820	13,974	--	--	--
15,820	13,974	--	--	--
(15,820)	(13,474)	11,400	--	--
--	--	--	--	--
--	--	--	--	--
(15,820)	(13,474)	11,400	--	--
15,820	16,134	126,000	1,749	400
\$ --	\$ 2,660	\$ 137,400	\$ 1,749	\$ 400

**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, 2016**

	Juvenile Case Management	Senior Center Donations	Main Street Donations	Parks Donations
<b>Revenues:</b>				
Hotel motel tax	\$ --	\$ --	\$ --	\$ --
Fines and fees	6,449	--	--	--
Charges for services	--	--	--	--
Impact fees	--	--	--	--
Donations	--	585	18,592	8,695
Interest income	--	--	--	--
<b>Total revenues</b>	<b>6,449</b>	<b>585</b>	<b>18,592</b>	<b>8,695</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,643	--	15,267	--
Public works	--	--	--	8,535
Culture and recreation	--	353	--	--
<b>Total current</b>	<b>1,643</b>	<b>353</b>	<b>15,267</b>	<b>8,535</b>
<b>Capital outlay:</b>				
General government	--	--	--	--
Environmental services	--	--	--	--
<b>Total capital outlay</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Debt service:</b>				
Total expenditures	1,643	353	15,267	8,535
Excess (deficiency) of revenues over (under) expenditures	4,806	232	3,325	160
<b>Other financing sources (uses):</b>				
Transfers out	(8,000)	--	--	--
<b>Total other financing sources (uses)</b>	<b>(8,000)</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net change in fund balances</b>	<b>(3,194)</b>	<b>232</b>	<b>3,325</b>	<b>160</b>
Fund balances, October 1	23,284	1,621	5,702	26
<b>Fund balances, September 30</b>	<b>\$ 20,090</b>	<b>\$ 1,853</b>	<b>\$ 9,027</b>	<b>\$ 186</b>

## EXHIBIT C-4

Page 2 of 2

Animal Control Donations	Police Donations	Animal Shelter New Building	Fire Donations	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ --	\$ --	\$ 103,989
--	--	--	--	15,489
--	--	--	1,059	1,059
--	--	--	--	342,744
3,649	11,076	--	11,141	53,738
--	--	--	--	4,079
<u>3,649</u>	<u>11,076</u>	<u>--</u>	<u>12,200</u>	<u>521,098</u>
--	--	--	3,715	84,539
--	--	--	--	8,535
--	--	--	--	353
<u>--</u>	<u>--</u>	<u>--</u>	<u>3,715</u>	<u>93,427</u>
--	--	--	11,129	65,423
7,838	--	--	--	7,838
<u>7,838</u>	<u>--</u>	<u>--</u>	<u>11,129</u>	<u>73,261</u>
7,838	--	--	14,844	166,688
(4,189)	11,076	--	(2,644)	354,410
--	--	--	--	(23,000)
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(23,000)</u>
(4,189)	11,076	--	(2,644)	331,410
18,969	1,714	7,133	3,557	1,128,952
<u>\$ 14,780</u>	<u>\$ 12,790</u>	<u>\$ 7,133</u>	<u>\$ 913</u>	<u>\$ 1,460,362</u>

**CITY OF ROYSE CITY, TEXAS**  
**MUNICIPAL COURT TECHNOLOGY**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT C-5

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Revenues:</b>			
<i>Fines and fees</i>	\$ 4,500	\$ 5,165	\$ 665
<i>Total revenues</i>	<u>4,500</u>	<u>5,165</u>	<u>665</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<i>General government</i>	<u>7,000</u>	<u>6,315</u>	<u>685</u>
<i>Total current</i>	<u>7,000</u>	<u>6,315</u>	<u>685</u>
<i>Net change in fund balances</i>	(2,500)	(1,150)	1,350
Fund balances, October 1	28,743	28,743	--
Fund balances, September 30	<u>\$ 26,243</u>	<u>\$ 27,593</u>	<u>\$ 1,350</u>

**CITY OF ROYSE CITY, TEXAS**  
**MUNICIPAL COURT SECURITY FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT C-6

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
<i>Fines and fees</i>	\$ 3,500	\$ 3,875	\$ 375
<i>Total revenues</i>	<u>3,500</u>	<u>3,875</u>	<u>375</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<i>General government</i>	1,500	500	1,000
<i>Total current</i>	<u>1,500</u>	<u>500</u>	<u>1,000</u>
<i>Total expenditures</i>	<u>1,500</u>	<u>500</u>	<u>1,000</u>
<i>Net change in fund balances</i>	2,000	3,375	1,375
Fund balances, October 1	41,872	41,872	--
Fund balances, September 30	<u>\$ 43,872</u>	<u>\$ 45,247</u>	<u>\$ 1,375</u>

**CITY OF ROYSE CITY, TEXAS**  
**HOTEL/MOTEL OCCUPANCY TAX FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT C-7

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
<i>Hotel motel tax</i>	\$ 98,000	\$ 103,989	\$ 5,989
<i>Total revenues</i>	<u>98,000</u>	<u>103,989</u>	<u>5,989</u>
<b>Expenditures:</b>			
<i>Current:</i>			
<i>General government</i>	63,500	57,099	6,401
<i>Total current</i>	<u>63,500</u>	<u>57,099</u>	<u>6,401</u>
<i>Capital outlay:</i>			
<i>General government</i>	24,500	24,500	--
<i>Total capital outlay</i>	<u>24,500</u>	<u>24,500</u>	<u>--</u>
<i>Total expenditures</i>	<u>88,000</u>	<u>81,599</u>	<u>6,401</u>
<i>Net change in fund balances</i>	10,000	22,390	12,390
<i>Fund balances, October 1</i>	200,664	200,664	--
<i>Fund balances, September 30</i>	<u>\$ 210,664</u>	<u>\$ 223,054</u>	<u>\$ 12,390</u>



**CITY OF ROYSE CITY, TEXAS**  
**ROADWAY IMPACT FEES**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT C-8

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
<i>Impact fees</i>	\$ 330,000	\$ 331,344	\$ 1,344
<i>Interest income</i>	2,200	3,579	1,379
<i>Total revenues</i>	<u>332,200</u>	<u>334,923</u>	<u>2,723</u>
Other financing sources (uses):			
<i>Transfers out</i>	(15,000)	(15,000)	-
<i>Total other financing sources (uses)</i>	<u>(15,000)</u>	<u>(15,000)</u>	<u>--</u>
<i>Net change in fund balances</i>	317,200	319,923	2,723
Fund balances, October 1	635,564	635,564	-
Fund balances, September 30	<u>\$ 952,764</u>	<u>\$ 955,487</u>	<u>\$ 2,723</u>

**CITY OF ROYSE CITY, TEXAS**  
**POLICE FORFEITURE FEDERAL**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT C-9

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<i>Capital outlay:</i>			
<i>General government</i>	\$ 15,820	\$ 15,820	\$ --
<i>Total capital outlay</i>	<u>15,820</u>	<u>15,820</u>	<u>-</u>
Total expenditures	<u>15,820</u>	<u>15,820</u>	<u>-</u>
<i>Net change in fund balances</i>	(15,820)	(15,820)	--
Fund balances, October 1	15,820	15,820	-
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ROYSE CITY, TEXAS**  
**POLICE FORFEITURE LOCAL**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT C-10

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
<i>Interest income</i>	\$ 500	\$ 500	\$ --
<i>Total revenues</i>	<u>500</u>	<u>500</u>	<u>--</u>
<b>Expenditures:</b>			
<i>Capital outlay:</i>			
<i>General government</i>	14,000	13,974	26
<i>Total capital outlay</i>	<u>14,000</u>	<u>13,974</u>	<u>26</u>
<i>Total expenditures</i>	<u>14,000</u>	<u>13,974</u>	<u>26</u>
<i>Net change in fund balances</i>	(13,500)	(13,474)	26
Fund balances, October 1	16,134	16,134	--
Fund balances, September 30	<u>\$ 2,634</u>	<u>\$ 2,660</u>	<u>\$ 26</u>

**CITY OF ROYSE CITY, TEXAS**  
**VERANDAH ROAD MAINTENANCE**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT C-11

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
<i>Impact fees</i>	\$ 9,500	\$ 11,400	\$ 1,900
<i>Total revenues</i>	<u>9,500</u>	<u>11,400</u>	<u>1,900</u>
<i>Net change in fund balances</i>	9,500	11,400	1,900
Fund balances, October 1	126,000	126,000	-
Fund balances, September 30	<u>\$ 135,500</u>	<u>\$ 137,400</u>	<u>\$ 1,900</u>

**CITY OF ROYSE CITY, TEXAS**  
**JUVENILE CASE MANAGEMENT FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT C-12

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
<i>Fines and fees</i>	\$ 5,500	\$ 6,449	\$ 949
<i>Total revenues</i>	<u>5,500</u>	<u>6,449</u>	<u>949</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<i>General government</i>	1,500	1,643	(143)
<i>Total current</i>	<u>1,500</u>	<u>1,643</u>	<u>(143)</u>
<i>Total expenditures</i>	<u>1,500</u>	<u>1,643</u>	<u>(143)</u>
Excess (deficiency) of revenues over (under) expenditures	4,000	4,806	806
<b>Other financing sources (uses):</b>			
<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>
<i>Net change in fund balances</i>	(4,000)	(3,194)	806
Fund balances, October 1	23,284	23,284	--
Fund balances, September 30	<u>\$ 19,284</u>	<u>\$ 20,090</u>	<u>\$ 806</u>

**CITY OF ROYSE CITY, TEXAS**  
**SENIOR CENTER DONATIONS**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT C-13

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
<i>Donations</i>	\$ 600	\$ 585	\$ (15)
<i>Total revenues</i>	<u>600</u>	<u>585</u>	<u>(15)</u>
<b>Expenditures:</b>			
<i>Current:</i>			
<i>Culture and recreation</i>	1,000	353	647
<i>Total current</i>	<u>1,000</u>	<u>353</u>	<u>647</u>
<i>Total expenditures</i>	<u>1,000</u>	<u>353</u>	<u>647</u>
<i>Net change in fund balances</i>	(400)	232	632
<i>Fund balances, October 1</i>	1,621	1,621	-
<i>Fund balances, September 30</i>	<u>\$ 1,221</u>	<u>\$ 1,853</u>	<u>\$ 632</u>

**CITY OF ROYSE CITY, TEXAS**  
**MAIN STREET DONATIONS**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT C-14

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
<i>Donations</i>	\$ 17,000	\$ 18,592	\$ 1,592
<i>Total revenues</i>	<u>17,000</u>	<u>18,592</u>	<u>1,592</u>
<b>Expenditures:</b>			
<i>Current:</i>			
<i>General government</i>	17,000	15,267	1,733
<i>Total current</i>	<u>17,000</u>	<u>15,267</u>	<u>1,733</u>
<i>Total expenditures</i>	<u>17,000</u>	<u>15,267</u>	<u>1,733</u>
<i>Net change in fund balances</i>	--	3,325	3,325
<i>Fund balances, October 1</i>	5,702	5,702	--
<i>Fund balances, September 30</i>	<u>\$ 5,702</u>	<u>\$ 9,027</u>	<u>\$ 3,325</u>

**CITY OF ROYSE CITY, TEXAS**  
**PARKS DONATIONS**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT C-15

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
<i>Donations</i>	\$ 5,800	\$ 8,695	\$ 2,895
<i>Total revenues</i>	<u>5,800</u>	<u>8,695</u>	<u>2,895</u>
 <b>Expenditures:</b>			
<i>Current:</i>			
<i>Public works</i>	4,300	8,535	(4,235)
<i>Total current</i>	<u>4,300</u>	<u>8,535</u>	<u>(4,235)</u>
 <i>Total expenditures</i>	<u>4,300</u>	<u>8,535</u>	<u>(4,235)</u>
 <i>Net change in fund balances</i>	1,500	160	(1,340)
 Fund balances, October 1	26	26	-
Fund balances, September 30	<u>\$ 1,526</u>	<u>\$ 186</u>	<u>\$ (1,340)</u>



**CITY OF ROYSE CITY, TEXAS**  
**ANIMAL CONTROL DONATIONS**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
<i>Donations</i>	\$ 3,700	\$ 3,649	\$ (51)
<i>Total revenues</i>	<u>3,700</u>	<u>3,649</u>	<u>(51)</u>
<b>Expenditures:</b>			
<i>Capital outlay:</i>			
<i>Environmental services</i>	10,000	7,838	2,162
<i>Total capital outlay</i>	<u>10,000</u>	<u>7,838</u>	<u>2,162</u>
<i>Total expenditures</i>	<u>10,000</u>	<u>7,838</u>	<u>2,162</u>
<i>Net change in fund balances</i>	(6,300)	(4,189)	2,111
Fund balances, October 1	18,969	18,969	--
Fund balances, September 30	<u>\$ 12,669</u>	<u>\$ 14,780</u>	<u>\$ 2,111</u>

**CITY OF ROYSE CITY, TEXAS**  
**POLICE DONATIONS**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT C-17

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
<i>Donations</i>	\$ 1,000	\$ 11,076	\$ 10,076
<i>Total revenues</i>	<u>1,000</u>	<u>11,076</u>	<u>10,076</u>
<b>Expenditures:</b>			
<i>Current:</i>			
<i>General government</i>	1,000	-	1,000
<i>Total current</i>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
<i>Total expenditures</i>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
<i>Net change in fund balances</i>	--	11,076	11,076
Fund balances, October 1	1,714	1,714	--
Fund balances, September 30	<u>\$ 1,714</u>	<u>\$ 12,790</u>	<u>\$ 11,076</u>

**CITY OF ROYSE CITY, TEXAS**  
 FIRE DONATIONS  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT C-18

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Charges for services	\$ 1,050	\$ 1,059	\$ 9
Donations	11,100	11,141	41
<b>Total revenues</b>	<u>12,150</u>	<u>12,200</u>	<u>50</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	14,850	3,715	11,135
<b>Total current</b>	<u>14,850</u>	<u>3,715</u>	<u>11,135</u>
<b>Capital outlay:</b>			
General government	11,129	11,129	-
<b>Total capital outlay</b>	<u>11,129</u>	<u>11,129</u>	<u>-</u>
<b>Total expenditures</b>	<u>25,979</u>	<u>14,844</u>	<u>11,135</u>
<b>Net change in fund balances</b>	(13,829)	(2,644)	11,185
Fund balances, October 1	3,557	3,557	-
Fund balances, September 30	<u>\$ (10,272)</u>	<u>\$ 913</u>	<u>\$ 11,185</u>

**CITY OF ROYSE CITY, TEXAS**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT C-19

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
<i>Ad valorem taxes, penalty and interest</i>	\$ 1,392,000	\$ 1,422,309	\$ 30,309
<i>Interest income</i>	5,000	6,789	1,789
<i>Total revenues</i>	<u>1,397,000</u>	<u>1,429,098</u>	<u>32,098</u>
<b>Expenditures:</b>			
<b>Debt service:</b>			
<i>Principal</i>	724,600	716,000	8,600
<i>Interest</i>	548,450	548,399	51
<i>Total debt service</i>	<u>1,273,050</u>	<u>1,264,399</u>	<u>8,651</u>
<i>Total expenditures</i>	<u>1,273,050</u>	<u>1,264,399</u>	<u>8,651</u>
Excess (deficiency) of revenues over (under) expenditures	123,950	164,699	40,749
<b>Other financing sources (uses):</b>			
<i>Issuance of long-term debt</i>	--	3,779	3,779
<i>Total other financing sources (uses)</i>	<u>--</u>	<u>3,779</u>	<u>3,779</u>
<b>Net change in fund balances</b>	123,950	168,478	44,528
Fund balances, October 1	710,250	710,250	--
Fund balances, September 30	<u>\$ 834,200</u>	<u>\$ 878,728</u>	<u>\$ 44,528</u>

*Discrete Component Unit*

The Royce City Community Development Corporation ("CDC") is a discretely presented component unit of the City.

**CITY OF ROYSE CITY, TEXAS**  
**BALANCE SHEET - ROYSE CITY COMMUNITY DEVELOPMENT CORPORATION**  
**SEPTEMBER 30, 2016**

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,612,520
Receivables (net of allowances for uncollectibles):	
Due from other governments	114,147
Total Assets	<u>1,726,667</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 5,680
Other liabilities	1,432
Due to primary government	51,230
Total Liabilities	<u>58,342</u>
<b>Fund balances:</b>	
Restricted	1,668,325
Total fund balances	<u>1,668,325</u>
 <b>Total Liabilities and Fund Balances</b>	 <b>\$ <u>1,726,667</u></b>

**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, 2016**

Total fund balances - governmental funds balance sheet	\$ 1,668,325
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(73,419)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>38,435</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 1,633,341</u>

**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, 2016**

	<u>General Fund</u>
<b>Revenues:</b>	
<i>Sales</i>	\$ 618,309
<i>Interest income</i>	3,598
<i>Miscellaneous</i>	1,631
<i>Total revenues</i>	<u>623,538</u>
<b>Expenditures:</b>	
<b>Current:</b>	
<i>General government</i>	291,397
<i>Total current</i>	<u>291,397</u>
<b>Total expenditures</b>	<u>291,397</u>
<i>Net change in fund balances</i>	332,141
Fund balances, October 1	1,336,184
Fund balances, September 30	<u>\$ 1,668,325</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, 2016*

Net change in fund balances - total governmental funds	\$	332,141
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>64,111</u>
Change in net position of governmental activities - Statement of Activities	\$	<u>396,252</u>

**CITY OF ROYSE CITY, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<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	--
<b>Total Assets</b>	<b>13,793,362</b>	<b>22,541,291</b>	<b>36,334,653</b>	<b>1,441,495</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension outflow	320,598	41,312	361,910	68,423
<b>Total Deferred Outflows of Resources</b>	<b>320,598</b>	<b>41,312</b>	<b>361,910</b>	<b>68,423</b>
<b>LIABILITIES</b>				
<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:				
<i>Due within one year</i>	516,400	869,200	1,385,600	--
<i>Due in more than one year</i>	7,861,321	12,498,965	20,360,286	167,518
<b>Total Liabilities</b>	<b>8,972,268</b>	<b>13,932,247</b>	<b>22,904,515</b>	<b>272,829</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-other	20,136	--	20,136	--
<b>Total deferred inflows of resources</b>	<b>20,136</b>	<b>--</b>	<b>20,136</b>	<b>--</b>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	2,556,883	4,322,435	6,879,318	--
Restricted For:				
<i>Debt Service</i>	804,019	--	804,019	--
<i>Impact fees</i>	761,564	1,622,952	2,384,516	--
Unrestricted	999,090	2,704,969	3,704,059	1,237,089
<b>Total Net Position</b>	<b>\$ 5,121,556</b>	<b>\$ 8,650,356</b>	<b>\$ 13,771,912</b>	<b>\$ 1,237,089</b>

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
<b>PRIMARY GOVERNMENT:</b>				
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>
<b>COMPONENT UNIT:</b>				
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	
--	<u>1,265,490</u>	<u>1,265,490</u>	
<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
<b>ASSETS</b>				
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
<b>Total Assets</b>	<b>\$ 1,757,321</b>	<b>\$ 826,006</b>	<b>\$ 1,130,980</b>	<b>\$ 3,714,307</b>
<b>LIABILITIES</b>				
<i>Accounts payable</i>	\$ 232,745	\$ --	\$ 907	\$ 233,652
<i>Accrued liabilities</i>	55,438	--	--	55,438
<i>Other liabilities</i>	144,441	--	1,121	145,562
<i>Due to other funds</i>	--	21,987	--	21,987
<i>Due to other governments</i>	118,282	--	--	118,282
<b>Total Liabilities</b>	<b>550,906</b>	<b>21,987</b>	<b>2,028</b>	<b>574,921</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	58,287	93,769	--	152,056
Unavailable revenue-fines	112,494	--	--	112,494
Unavailable revenue-other	20,136	--	--	20,136
<b>Total deferred inflows of resources</b>	<b>190,917</b>	<b>93,769</b>	<b>--</b>	<b>284,686</b>
<b>Fund balances:</b>				
<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
<b>Total fund balances</b>	<b>1,015,498</b>	<b>710,250</b>	<b>1,128,952</b>	<b>2,854,700</b>
<b>Total Liabilities, Deferred Inflows     of Resources and Fund Balances</b>	<b>\$ 1,757,321</b>	<b>\$ 826,006</b>	<b>\$ 1,130,980</b>	<b>\$ 3,714,307</b>

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, TEXAS**  
**STATEMENT 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
<b>Revenues:</b>				
<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
<b>Total revenues</b>	<u>6,103,376</u>	<u>1,403,040</u>	<u>488,424</u>	<u>7,994,840</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<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
<b>Total current</b>	<u>6,436,244</u>	<u>--</u>	<u>113,200</u>	<u>6,549,444</u>
<b>Capital outlay:</b>				
<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
<b>Total capital outlay</b>	<u>54,341</u>	<u>--</u>	<u>20,000</u>	<u>74,341</u>
<b>Debt service:</b>				
<i>Principal</i>	--	503,286	--	503,286
<i>Interest</i>	--	351,310	--	351,310
<b>Total debt service</b>	<u>--</u>	<u>854,596</u>	<u>--</u>	<u>854,596</u>
<b>Total expenditures</b>	<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	(387,209)	548,444	355,224	516,459
<b>Other financing sources (uses):</b>				
<i>Transfers in</i>	898,733	--	--	898,733
<i>Transfers out</i>	--	(654,712)	(8,000)	(662,712)
<b>Total other financing sources (uses)</b>	<u>898,733</u>	<u>(654,712)</u>	<u>(8,000)</u>	<u>236,021</u>
<b>Net change in fund balances</b>	<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)
<b>Fund balances, September 30</b>	<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.	53,894
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,057,053</u>

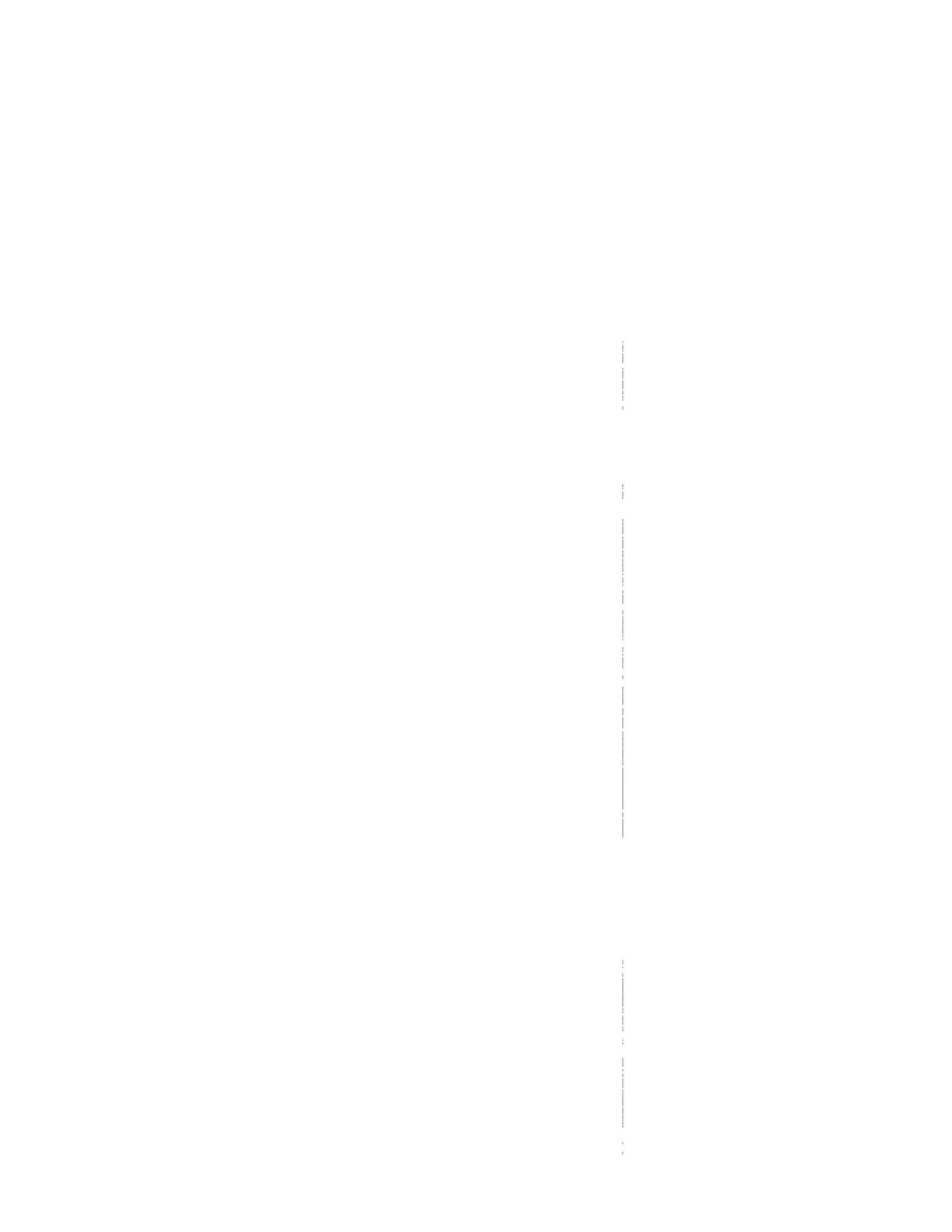
The accompanying notes are an integral part of this statement.



**CITY OF ROYSE CITY, TEXAS**  
**STATEMENT OF NET POSITION**  
**ENTERPRISE FUNDS**  
**SEPTEMBER 30, 2015**

	Enterprise Fund <u>Water and Sewer Fund</u>
<b>ASSETS:</b>	
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	17,315,863
Total Assets	<u>22,541,291</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
<i>Deferred pension outflow</i>	41,312
Total Outflows of Resources	<u>41,312</u>
<b>LIABILITIES:</b>	
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>
<b>NET POSITION:</b>	
<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, TEXAS****STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Enterprise Fund Water and Sewer Fund
<b>OPERATING REVENUES:</b>	
<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>
<b>OPERATING EXPENSES:</b>	
<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>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
<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 Water and Sewer Fund
<b>Cash Flows from Operating Activities:</b>	
<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>
<b>Cash Flows from Non-capital Financing Activities:</b>	
<i>Transfers From (To) Other Funds</i>	(236,020)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(236,020)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
<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>
<b>Cash Flows from Investing Activities:</b>	
<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>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
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.

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

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.

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- 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.



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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

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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.

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	General Fund	Debt Service	Other Funds	Total
<b>Fund Balances</b>				
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.

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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)
<b>Investment Type</b>	<u>Value</u>	<u>Maturity (Days)</u>
LOGIC	\$4,221,665	45
Cash	<u>4,420,756</u>	
Total cash and cash equivalents	<u><u>\$8,642,421</u></u>	

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	<u>3,045,845</u>
Total City	7,298,111
CDC Discrete Component Unit	<u>1,344,310</u>
	<u><u>8,642,421</u></u>

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).

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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](http://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**  
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**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**  
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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
<b>GOVERNMENTAL ACTIVITIES:</b>					
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	\$10,386,252	(\$285,210)	\$ --	\$ --	\$10,101,042

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	Balance 9/30/14	Additions	Retirements	Completed Construction	Balance 9/30/15
<b>BUSINESS-TYPE ACTIVITIES:</b>					
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	<u>\$359,551</u>

Business-type activities:

Water and sewer	<u>\$487,387</u>
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**CITY OF ROYSE CITY, TEXAS**  
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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	\$9,769	\$360,231

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	\$21,987	\$21,987

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		8,000
Water and Sewer Enterprise Fund	654,712	890,732
Totals	\$1,553,444	\$1,553,444

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.

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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
<b>Governmental Activities</b>					
General Obligation Bonds:					
GO Bonds, Series 1976	\$150,000	1976	2016	5.00%	\$7,000
<b>Total General Obligation Bonds</b>					<b>7,000</b>
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
<b>Total Certificates of Obligation</b>					<b>7,500,000</b>
<b>Total Governmental Activities General Obligation Debt</b>					<b>7,507,000</b>
<b>Business-type Activities:</b>					
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
<b>Total General Obligation Bonds</b>					<b>4,810,000</b>
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
<b>Total Certificates of obligation</b>					<b>8,380,000</b>
<b>Total business-type general obligation debt</b>					<b>13,190,000</b>
<b>Total General Debt</b>					<b>\$20,697,000</b>

**CITY OF ROYSE CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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
<b>Total</b>	<b>\$7,507,000</b>	<b>\$2,406,302</b>	<b>\$13,190,000</b>	<b>\$4,335,862</b>	<b>\$27,439,164</b>

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
<b>Capital Leases</b>					
<b>Governmental activities</b>					
Public safety vehicles	\$63,680	2012	2017	3.98%	\$26,527
Truck	47,844	2013	2016	2.95%	16,145
					<u>42,672</u>
<b>Business-type activities</b>					
Backhoe	\$67,724	2015	2020	3.504%	62,724
<b>Total Capitalized Lease Obligations</b>					<u><u>\$105,396</u></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
<b>Governmental activities:</b>					
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
<b>Business-type activities:</b>					
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)
<b>Total bonds payable</b>	<b>13,900,043</b>	<b>3,824</b>	<b>(711,848)</b>	<b>13,192,019</b>	<b>856,176</b>
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	--
<b>Business-type activities</b>	<b>\$13,991,567</b>	<b>\$89,200</b>	<b>(\$712,602)</b>	<b>\$13,368,165</b>	<b>\$869,200</b>

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.tmr.com](http://www.tmr.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
	<u>101</u>

**3. Contributions**

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

Employees for the City 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	\$5,369,487	\$4,315,915	\$1,053,572

*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](http://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
				\$115,845

\$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
	\$115,845

**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**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<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>
<b>Expenditures:</b>				
<b>Current:</b>				
<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>
<b>Capital outlay:</b>				
<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>
<b>Debt service:</b>				
<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
<b>Other financing sources (uses):</b>				
<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
<b>Total pension liability:</b>										
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)	--	--	--	--	--	--	--	--	--
<b>Net change in total pension liability</b>	<b>735,368</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total pension liability - beginning</b>	<b>4,634,119</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 5,369,487</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>
<b>Plan fiduciary net position:</b>										
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)	--	--	--	--	--	--	--	--	--
<b>Net change in plan fiduciary net position</b>	<b>556,601</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Plan fiduciary net position - beginning</b>	<b>3,759,314</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 4,315,915</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>
<b>City's net pension liability - ending (a) - (b)</b>	<b>\$ 1,053,572</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>80.38%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Covered-employee payroll</b>	<b>\$ 2,678,293</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>
<b>City's net pension liability as a percentage of covered-employee payroll</b>	<b>39.34%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>

**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
<b>ASSETS</b>				
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>
<b>LIABILITIES</b>				
Accounts payable	\$ --	\$ --	\$ 700	\$ --
Other liabilities	--	--	--	--
Total Liabilities	<u>--</u>	<u>--</u>	<u>700</u>	<u>--</u>
<i>Fund balances:</i>				
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
<b>ASSETS</b>				
Cash and cash equivalents	\$ 23,357	\$ 1,621	\$ 5,836	\$ 26
Other receivables	--	--	--	--
<b>Total Assets</b>	<u>23,357</u>	<u>1,621</u>	<u>5,836</u>	<u>26</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 73	\$ --	\$ 134	\$ --
Other liabilities	--	--	--	--
<b>Total Liabilities</b>	<u>73</u>	<u>--</u>	<u>134</u>	<u>--</u>
<i>Fund balances:</i>				
Restricted	23,284	--	--	--
Assigned	--	1,621	5,702	26
<b>Total fund balances</b>	<u>23,284</u>	<u>1,621</u>	<u>5,702</u>	<u>26</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 23,357</u>	<u>\$ 1,621</u>	<u>\$ 5,836</u>	<u>\$ 26</u>

<u>Animal Control Donations</u>	<u>Police Donations</u>	<u>Animal Shelter New Building</u>	<u>Fire Donations</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit A-3)</u>
\$ 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
<b>Revenues:</b>				
<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>	--	--	--	--
<b>Total revenues</b>	<u>7,853</u>	<u>5,902</u>	<u>80,254</u>	<u>293,362</u>
<b>Expenditures:</b>				
<i>Current:</i>				
<i>General government</i>	3,146	290	55,603	--
<b>Total current</b>	<u>3,146</u>	<u>290</u>	<u>55,603</u>	<u>--</u>
<i>Capital outlay:</i>				
<i>General government</i>	--	--	--	--
<b>Total capital outlay</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Total expenditures</b>	<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
<b>Other financing sources (uses):</b>				
<i>Transfers out</i>	--	--	--	--
<b>Total other financing sources (uses)</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Net change in fund balances</b>	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	--
<b>Fund balances, September 30</b>	<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>	--	--
4,539	6,060	--	1,530	--
<u>4,539</u>	<u>6,060</u>	--	<u>1,530</u>	--
--	--	--	--	--
--	--	--	--	--
<u>4,539</u>	<u>6,060</u>	--	<u>1,530</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
<b>Revenues:</b>			
Hotel/Motel tax	\$ --	\$ --	\$ --
Fines and fees	10,000	--	--
Impact fees	--	--	--
Intergovernmental	--	--	--
Donations	--	250	20,955
Interest income	--	--	--
Miscellaneous	--	--	--
<b>Total revenues</b>	<u>10,000</u>	<u>250</u>	<u>20,955</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	152	--	22,112
<b>Total current</b>	<u>152</u>	<u>--</u>	<u>22,112</u>
<b>Capital outlay:</b>			
General government	--	--	--
<b>Total capital outlay</b>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Total expenditures</b>	<u>152</u>	<u>--</u>	<u>22,112</u>
Excess (deficiency) of revenues over (under) expenditures	9,848	250	(1,157)
<b>Other financing sources (uses):</b>			
Transfers out	(8,000)	--	--
<b>Total other financing sources (uses)</b>	<u>(8,000)</u>	<u>--</u>	<u>--</u>
<b>Net change in fund balances</b>	1,848	250	(1,157)
Fund balances, October 1	21,436	1,371	6,859
Prior Period Adjustment	--	--	--
<b>Fund balances, September 30</b>	<u>\$ 23,284</u>	<u>\$ 1,621</u>	<u>\$ 5,702</u>

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<u>Parks Donations</u>	<u>Animal Control Donations</u>	<u>Police Donations</u>	<u>Animal Shelter New Building</u>
\$ --	\$ --	\$ --	\$ --
--	--	--	--
--	--	--	--
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>
29,247	726	--	--
(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)
<b>Revenues:</b>			
<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
<b>Total revenues</b>	<u>1,985</u>	<u>1,595</u>	<u>488,424</u>
<b>Expenditures:</b>			
<i>Current:</i>			
<i>General government</i>	9,795	--	113,200
<b>Total current</b>	<u>9,795</u>	<u>--</u>	<u>113,200</u>
<i>Capital outlay:</i>			
<i>General government</i>	--	--	20,000
<b>Total capital outlay</b>	<u>--</u>	<u>--</u>	<u>20,000</u>
<b>Total expenditures</b>	<u>9,795</u>	<u>--</u>	<u>133,200</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(7,810)</b>	<b>1,595</b>	<b>355,224</b>
<i>Other financing sources (uses):</i>			
<i>Transfers out</i>	--	--	(8,000)
<b>Total other financing sources (uses)</b>	<u>--</u>	<u>--</u>	<u>(8,000)</u>
<b>Net change in fund balances</b>	<b>(7,810)</b>	<b>1,595</b>	<b>347,224</b>
Fund balances, October 1	11,367	(1,595)	761,757
Prior Period Adjustment	--	--	19,971
<b>Fund balances, September 30</b>	<u>\$ 3,557</u>	<u>\$ --</u>	<u>\$ 1,128,952</u>