TOWN OF SHADY SHORES, TEXAS

FINANCIAL STATEMENTS
AND
ACCOUNTANTS' OPINION

SEPTEMBER 30, 2015

TOWN OF SHADY SHORES, TEXAS

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TOWN OF SHADY SHORES, TEXAS
PRINCIPAL TOWN OFFICIALS
SEPTEMBER 30, 2015

Mayor	Cindy Spencer
Mayor Pro-Tem	Cindy Aughinbaugh
Council Members:	Paula Woolworth
	Tom Newell
	Charles Grimes
	Matthew Haines
Town Secretary	Wendy Withers
Town Attorney	James E. Shepherd Shepherd Law Firm
Town Engineer	Richard Arvizu

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CERTIFIED PUBLIC
ACCOUNTANTS
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HANKINS, EASTUP, DEATON,
TONN & SEAY
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

TEL. (940) 387-8563
FAX (940) 383-4746

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Town Council
Town of Shady Shores, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Shady Shores, Texas ("Town"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Shady Shores, Texas as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2015, the Town adopted new accounting guidance prescribed by GASB #68 for its pension plan – an agent multiple-employer defined benefit pension plan that has a special funding situation. Because GASB #68 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements. Page 15 discloses the Town's Net Pension Asset and some deferred resource outflows and deferred resource inflows related to the Town's pension plan. Page 16 discloses the adjustment to the Town's Beginning Net Position. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 7 through 12, the budgetary comparison information on page 36, and the Texas Municipal Retirement System Schedules on pages 37 and 38, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Shady Shores, Texas's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 29, 2016 on our consideration of the Town of Shady Shores, Texas's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Shady Shores, Texas's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 29, 2016

MANAGEMENT'S DISCUSSION & ANALYSIS

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As management of the Town of Shady Shores, we offer readers of the Town of Shady Shores' financial statements this narrative overview and analysis of the financial activities of the Town of Shady Shores for the year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements.

Financial Highlights

- The assets of the Town of Shady Shores exceeded its liabilities at September 30, 2015 by $3,024,689. The unrestricted net position amount of $2,098,502 may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by $28,809 during the fiscal year from the results of current year operations. However, total net position also increased by $5,123 due to new standards that required recording of the Town's Texas Municipal Retirement Systems' net pension asset.
- As of September 30, 2015, the Town of Shady Shores' governmental fund reported an ending fund balance of $2,087,159, an increase of $110,663 in comparison with the beginning of the period. Approximately 40 percent of this total amount, $834,325, is available for spending at the government's discretion (*unassigned fund balance*).

Overview of the Financial Statements

The management discussion and analysis are intended to serve as an introduction to the Town of Shady Shores' basic financial statements. The Town of Shady Shores' basic financial statements comprises of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Shady Shores' finances, in a manner similar to a private-sector business.

The statement of net position presents information on the entire Town of Shady Shores' assets and liabilities, with the difference reported as net position. Over time, increase or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Shady Shores is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent period. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Position and the Statement of Activities, the Town has one kind of activity:

- **Governmental activities.** All of the Town's basic services are reported here, including public works and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by state law or bond covenants. However, the Town Council may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

Governmental Funds. All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at period-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town of Shady Shores' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town of Shady Shores does not currently have any fiduciary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and funds financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information highlighting budgetary information for the general fund.

Government-wide Financial Analysis

The Town's net position was $3,024,689 as of September 30, 2015. This analysis focuses on the net position (Table 1) and changes in general revenues (Table 2) and significant expenses of the Town's governmental activities.

A portion of the Town's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Table I

Net Position

	Governmental Activities	
	2014	2015
Current and other assets	$2,007,243	$2,141,863
Capital assets	1,003,212	921,859
Net pension asset	-	4,154
Total assets	3,010,455	3,067,876
Deferred outflows of resources	-	374
Other liabilities	19,698	43,074
Total liabilities	19,698	43,074
Deferred inflows of resources	-	487
Net position:		
Net investment in capital assets	1,003,212	921,859
Restricted	3,273	4,328
Unrestricted	1,984,272	2,098,502
Total net position	$2,990,757	$3,024,689

Governmental Activities. The Town's general revenues for governmental activities for the year ended September 30, 2015 are detailed below (Table 2).

Table 2
General Revenues

	2014	2015
Property taxes	$689,832	$725,978
Sales taxes	70,417	79,971
Franchise taxes	128,311	140,282
Investment earnings	4,932	6,128
Miscellaneous	2,895	2,398
	$896,387	$954,757

The following table provides a summary of the Town's operations for the year ended September 30, 2015. Governmental activities increased the Town's net position by $28,809.

Table 3
Changes in Net Position

	Governmental Activities	
	2014	2015
Revenues:		
Program Revenues:		
Charges for Services	$ 80,335	$ 98,746
Operating Grants:		
Government grant	-	2,551
General Revenues:		
Property taxes	689,832	725,978
Sales taxes	70,417	79,971
Franchise taxes	128,311	140,282
Investment Earnings	4,932	6,128
Miscellaneous	2,895	2,398
Total Revenue	976,722	1,056,054
Expenses:		
General government	263,508	330,366
Public safety	442,438	530,872
Public works/other	162,891	166,007
Total Expenses	868,837	1,027,245
Increase (decrease) in net position	107,885	28,809
Net position – October 1 (beginning)	2,882,872	2,990,757
Prior period adjustment	-	5,123
Net position – September 30 (ending)	$2,990,757	$3,024,689

Financial Analysis of the Government's Funds

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

As of the end of the current period, the Town's governmental fund, the general fund reported an ending fund balance of $2,087,159, an increase of $110,663 in comparison with the beginning of the period. Approximately 40 percent of this total amount ($834,325) constitutes unassigned fund balance, which is available for spending at the Town's discretion. A portion of the fund balance is restricted to indicate that it is not available for new spending because it has already been restricted for court security and technology. The Town has also assigned a portion of the fund balance for capital projects, roads and bridges and emergencies.

The fund balance of the Town's general fund increased by $110,663 during the current period.

Key factors in this increase are as follows:

- Decrease in expenditures
- Increase in revenues

General Fund Budgetary Highlights

During the current year, the Town Council of the Town of Shady Shores did not amend the budget for the General Fund.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities as of September 30, 2015, amounts to $921,859 (net of accumulated depreciation). This amount represents a net decrease of $81,353, or 8 percent, below the beginning of the period. The investment in capital assets includes land, buildings, equipment, furniture and roads.

There were no major capital asset additions during the current period.

Table 4
Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities
Land	$ 6,000
Buildings	482,745
Furniture and Equipment	24,725
Vehicle	-
Infrastructure - Roads	408,389
Totals	$ 921,859

Additional information on the Town's capital assets can be found in Note 4 of this report.

Long-term Debt. At the end of the current period, the Town had no long-term indebtedness.

Economic Factors and Next Year's Budgets and Rates

- The fiscal year 2015-2016 budget is $1,370,789 and increase of $363,032 and leaves the tax rate at .314625 per $100 valuation. $350,000 of the budget is for roads and streets.
- Again this year we received an unmodified or good opinion from our auditing firm. It is just one more indication the Council is managing your tax dollars carefully.
- The Town continues to contract for the services of an animal control officer, police patrol services, fire and EMS services, and code enforcement officer.
- The Town plans to maintain a financial reserve with disciplined spending. The ending general fund balance for the fiscal year 2015 was $2,087,159.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Town of Shady Shores, P.O. Box 362, Lake Dallas, Texas 75065.

BASIC FINANCIAL STATEMENTS

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TOWN OF SHADY SHORES, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 1,876,448
Investments	253,143
Receivables (net of allowance for uncollectibles)	
Taxes - Ad Valorem	11,630
Other Receivables	642
Noncurrent Assets:	
Capital Assets (net of depreciation):	
Land	6,000
Buildings, net	482,745
Furniture and Equipment, net	24,725
Vehicles, net	-
Roads and Streets, net	408,389
Net Pension Asset	4,154
Total Assets	3,067,876
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to TMRS	374
Total Deferred Outflows of Resources	374
LIABILITIES	
Accounts Payable	42,874
Rent Deposit	200
Total Liabilities	43,074
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to TMRS	487
Total Deferred Inflows of Resources	487
NET POSITION	
Net Investment in Capital Assets	921,859
Restricted for:	
Court Technology & Security	4,328
Unrestricted Net Position	2,098,502
Total Net Position	$ 3,024,689

The accompanying Notes are an integral part of this statement.

TOWN OF SHADY SHORES, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Change in Net Position: Governmental Activities
GOVERNMENTAL ACTIVITIES:				
General Government	$ 330,366	$ -	$ 2,551	$ (327,815)
Public Safety	530,872	32,572	-	(498,300)
Public Works/Other	166,007	66,174	-	(99,833)
Total Governmental Activities	1,027,245	98,746	2,551	(925,948)
TOTAL PRIMARY GOVERNMENT	$ 1,027,245	$ 98,746	$ 2,551	(925,948)

GENERAL REVENUES:	
Taxes:	
Property Taxes	725,978
Sales Taxes	79,971
Franchise Taxes	140,282
Investment Earnings	6,128
Miscellaneous	2,398
Total General Revenues	954,757
Change in Net Position	28,809
NET POSITION - Beginning	2,990,757
Prior Period Adjustment "Required by GASB 68"	5,123
NET POSITION - Ending	$ 3,024,689

The accompanying Notes are an integral part of this statement.

TOWN OF SHADY SHORES, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund
ASSETS	
Cash and Cash Equivalents	$ 1,876,448
Investments	253,143
Ad valorem Tax Receivable	11,630
Other Receivables	642
Total Assets	$ 2,141,863
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	
Liabilities:	
Accounts Payable	$ 42,874
Rent Deposit	200
Total Liabilities	43,074
Deferred Inflows of Resources:	
Unavailable Revenue-Property Taxes	11,630
Total Deferred Inflows of Resources	11,630
Fund Balance:	
Restricted:	
Court Technology & Security	4,328
Assigned Fund Balance:	
Capital Projects	100,000
Roads and Bridges	848,506
Emergencies	300,000
Unassigned Fund Balance	834,325
Total Fund Balance	2,087,159
Total Liabilities, Deferred Inflows, and Fund Balance	$ 2,141,863

The accompanying Notes are an integral part of this statement.

TOWN OF SHADY SHORES, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Total Fund Balances – Governmental Funds	$2,087,159
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	1,660,214
Accumulated depreciation is not reported in the fund financial statements.	(738,355)
Property tax revenue reported as unavailable revenues in the fund financial statements was recognized as revenue in the government-wide financial statements.	11,630
Included in the items related to debt is the recognition of the Town's net TMRS pension asset required by GASB 68 in the amount of $4,154, a Deferred Outflows of Resources related to TMRS in the amount of $374, and a Deferred Inflows of Resources related to TMRS in the amount of $487. This amounted to an increase in Net Position in the amount of $4,041.	4,041
Net Position of Governmental Activities	$3,024,689

The accompanying Notes are an integral part of this statement.

TOWN OF SHADY SHORES, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund
Revenues:	
Taxes	
General Sales and Use Taxes	$ 79,971
Ad Valorem Taxes and Penalties	725,397
Franchise Tax	140,282
Building Permits & Fees	66,174
Municipal Court Fines	32,572
Government Grants	2,551
Interest Income	6,128
Miscellaneous & Other Revenue	2,398
Total Revenues	1,055,473
Expenditures:	
General Government Administration	317,694
Public Safety	529,273
Public Works/Other	97,843
Total Expenditures	944,810
Excess of Revenues Over Expenditures	110,663
Net Change in Fund Balance	110,663
Fund Balance – October 1 (beginning)	1,976,496
Fund Balance – September 30 (ending)	$ 2,087,159

The accompanying Notes are an integral part of this statement.

TOWN OF SHADY SHORES, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Total Net Change in Fund Balances – Governmental Funds	$ 110,663
Current year capital outlay is shown as an expenditure in the fund financial statements but are shown as capital assets in the government-wide financial statements.	3,711
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(85,064)
Revenues from property taxes are shown as unavailable in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed in the government-wide financial statements.	581
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. The contributions made after the measurement date of 12/31/14 caused the change in ending net position to increase in the amount of $250. Contributions made before the measurement date but during the 2015 FY were also de-expended and recorded as a reduction in the net position liability for the Town. This also caused an decrease in the change in net position in the amount of $816. These contributions were replaced with the Town's pension expense for the year of $516, which caused a decrease in the change in net position. The impact of all of these is to decrease the change in net position by $1,082.	(1,082)
Change in Net Position of Governmental Activities	$ 28,809

The accompanying Notes are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Shady Shores (the "Town") are presented in accordance with generally accepted accounting principles applicable to state and local governmental units as set forth by the Governmental Accounting Standards Board ("GASB).

In fiscal year 2004, the Town implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments,* GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement 34, GASB Statement No. 38, *Certain Financial Statement Disclosures*, which changes note disclosures requirements for governmental entities, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements,* which clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where difference have arisen, or potentially could arise, in interpretation and practice of GASB Statement No. 34.

GASB Statements No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the use of account groups to the already required fund financial statements and notes. GASB Statement No. 37 provides additional guidance in reporting infrastructure, program revenues and major criteria.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that the government-wide financial statements are needed to allow users of financial reports to assess a government's operational accountability. The new GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The following is a summary of the more significant accounting policies.

A. Reporting Entity

The Town of Shady Shores (Town) is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board

- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is fiscal dependency by the organization on the Town

Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Town.

The Town had no discretely presented component units at September 30, 2015.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town.

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.

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. 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 Town 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.

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

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Town.
The Town reports the following major governmental fund:

General Fund - The General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

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.

D. Cash and Investments

The Town's cash and investments are considered to be cash on hand, demand deposits and certificates of deposit.

E. Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and recognized as revenue on the date of levy, on October 1. Property tax receivables are recognized when the Town has an enforceable claim against the property owner. In the governmental funds, property tax revenue is recognized in the fiscal period for which the taxes are levied, provided that they become available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay current liabilities. The Town's availability period is sixty days. Taxes collected prior to the levy date to which they apply are recorded as unavailable revenues and recognized as revenue of the period to which they apply.

Current taxes are due on October 1 and become delinquent if unpaid on February 1. Taxes unpaid as of February 1 are subject to penalty and interest as the Town Council provides by ordinance. On January 1 of each year, a tax lien attaches to property to secure all taxes, penalties and interest ultimately imposed.

F. Bad Debts

No allowance is provided for uncollectible real property taxes, since all real property taxes will ultimately be collected when title to the property is transferred, except in rare instances in which the taxes are discharged in bankruptcy.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. The Town defines capital assets as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of governmental activities is not included as part of the capitalized value of the assets constructed.

Depreciation expense is calculated on the straight-line method. Depreciation methods are designed to amortize the cost of the assets over their estimated useful lives. Estimated useful lives of major categories of property are as follows:

Category	Estimated Life
Infrastructure	15-30 years
Buildings	50 years
Furniture and equipment	7-10 years

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Net Position

Net position represents the difference between assets, deferred outflows, deferred inflows and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

J. Budgets

The Town prepares an annual budget for the General Fund in order to provide appropriate budgetary control over revenues and expenditures though comparison of actual data to budgetary data. If a change in the approved budget is required due to unforeseen circumstances, the Council may approve amendments to the budget. All annual appropriations lapse at fiscal year-end.

K. IMPLEMENTATION OF NEW STANDARD

In the current fiscal year, the Town implemented the following new standards:

GASB Statement 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") establishes accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71") amends the transition provisions of GASB 68. GASB 71 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Implementation is reflected in the financial statements and the notes to the financial statements.

2. FUND BALANCE

The Town has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town had no nonspendable fund balances.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Court security and technology fees are being restricted because their use is restricted pursuant to the regulations that allow the collection of those fees.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. The Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Council had not committed any resources as of September 30, 2015.

- Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Council or through the Council delegating this responsibility to other individuals in the Town. Under the Town's policy, only the council may assign amounts for specific purposes. The Town had assigned fund balance resources of the General Fund as of September 30, 2015, for capital projects, roads and bridges and emergencies.

- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town Council has provided otherwise in its commitment or assignment actions.

Beginning fund balances for the Town's governmental funds have been restated to reflect the above classifications. The details of the fund balances are included in the Governmental Funds Balance Sheet (page 17) and are described below:

General Fund

The General Fund has unassigned fund balance of $834,325 at September 30, 2015. The fund balances of the Court Technology Fund and Court Security Fund (totaling $4,328) are shown as restricted for those purposes. The Town had assigned fund balances of $100,000 for capital projects, $848,506 for roads and bridges and $300,000 for emergencies.

3. DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS

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

1. Cash Deposits:

At September 30, 2015, the carrying amount of the Town's deposits in checking accounts and interest-bearing savings accounts was $1,876,448 and the bank balance was $1,915,981. The Town's cash deposits at September 30, 2015 were entirely covered by FDIC insurance or by pledged collateral held by the Town's agent bank in the Town's name.

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Town to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the Town to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptance, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

The Act also requires the Town to have independent auditors perform test procedures related to investment practices as provided by the Act. The Town is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the Town has adopted a deposit and investment policy. That policy addresses the following risks:

a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. As of September 30, 2015, the Town's cash balances totaled $1,876,448. This entire amount was either collateralized with securities held by the Town's financial institution's agent in the Town's name or covered by FDIC insurance. Thus, the Town's deposits are not exposed to custodial credit risk.

b. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2015, the Town's investments was a certificate of deposit.

c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. Credit risk is monitored and controlled by purchasing quality related instruments that have been evaluated by agencies such as Standards and Poor's or Moody's Investment Services.

d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase.

e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At September 30, 2015, the Town was not exposed to foreign currency risk.

f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the Town's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. The Town is subject to the concentration of credit risk, since more than 5 percent of all cash and investments are held at Northstar Bank.

The Town's investments at September 30, 2015, are shown below:

Name	Carrying Amount	Market Value
Certificate of Deposit	$ 253,143	$ 253,143
Total	$ 253,143	$ 253,143

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2015 was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 6,000	$ -	$ -	$ 6,000
Total capital assets, not being depreciated	6,000	-	-	6,000
Capital assets being depreciated:				
Roads & Streets	1,022,441	-	-	1,022,441
Buildings & Improvements	563,091	-	-	563,091
Vehicles	11,400	-	-	11,400
Furniture & Equipment	53,571	3,711	-	57,282
Total capital assets, being depreciated	1,650,503	3,711	-	1,654,214
Less accumulated depreciation for:				
Buildings & Improvements	68,910	11,436	-	80,346
Furniture & Equipment	28,962	3,595	-	32,557
Vehicles	11,400	-	-	11,400
Roads & Streets	544,019	70,033	-	614,052
Total accumulated depreciation	653,291	85,064	-	738,355
Total capital assets, being depreciated, net	997,212	(81,353)	-	915,859
Governmental activities capital assets, net	$1,003,212	$ (81,353)	$ -	$ 921,859

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

Governmental Activities:	
Administration	$ 15,301
Public Safety	1,599
Public works	68,164
Total depreciation expense – Governmental activities	$ 85,064

5. LITIGATION AND CONTINGENCIES

The Town Attorney (general legal counsel) expresses the opinion that there does not now exist any pending or threatened litigation, claim or assessment, or an unasserted claim and/or assessment which individually or collectively represent a potential loss exposure to the Town of Shady Shores, Texas.

6. RISK MANAGEMENT

Significant losses to which the Town is exposed are covered by insurance obtained primarily through the Texas Municipal League. This includes property and liability insurance. The Town retains no risk of loss except for small deductibles on some of the policies.

For insured programs, there have been no significant reduction in insurance coverage, and settlement amounts have not been exceeded insurance coverage for the current year or the three prior years.

7. DEFINED BENEFIT PENSION PLANS

Plan Description

The Town of Shady Shores participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com.*

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the town, 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 town-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

	Plan Year 2014	Plan Year 2015
Employee deposit rate	5.0%	5.0%
Employer deposit rate	.02%	.33%
Matching ratio (Town to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	0%,	0%,
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to buy not yet receiving benefits	1
Active employees	2
	3

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the town matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the town. Under the state law governing TMRS, the contribution rate for each town 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 Town of Shady Shores were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the Town of Shady Shores were .02% and 0.33% in calendar years 2014 and 2015, respectively. The town's contributions to TMRS for the year ended September 30, 2015 were $836, and were equal to the required contributions.

Net Pension Liability

The town'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.

Actuarial assumptions:

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

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on 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%. For towns such as the Town of Shady Shores with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, and 100% for employers with 11 to 15 members. There is also a load on the life expectancy for employers with less than 15 active members, such as the Town of Shady Shores. The life expectancy is loaded by decreasing the mortality rates by 1% for every active member less than 15. For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20 member threshold. Once the plan is overfunded, the amortization period reverts back to the standard amortization period. 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.

Net Pension Liability continued

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 Portfolio Real Rate of Return*
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of 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 Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/2013	$ 8,201	$12,223	$(4,022)
Changes for the year:			
Service Cost	2,663	-	2,663
Interest	667	-	667
Change in benefit terms	-	-	-
Difference between expected and actual experience	(595)	-	(595)
Changes of assumptions	-	-	-
Contributions – employer	-	285	(285)
Contributions – employee	-	1,889	(1,889)
Net investment income	-	701	(701)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	(7)	7
Other changes	-	(1)	1
Net changes	$ 2,735	$ 2,867	$ (132)
Balance at 12/31/2014	**$10,936**	**$15,090**	**$(4,154)**

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

The following presents the net pension liability of the Town, calculated using the discount rate of 7.0%, as well as what the Town'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:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
Town's net pension liability (asset)	$(3,114)	$(4,154)	$(5,000)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the year ended September 30, 2015, the Town recognized pension expense of $1,082.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 487
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	124	-
Contributions subsequent to the measurement date	250	-
Total	$ 374	$ 487

$250 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	$(77)
2017	(77)
2018	(77)
2019	(77)
2020	(55)
Thereafter	0

12. PRIOR PERIOD ADJUSTMENT

In fiscal year 2015, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and *GASB Statement No 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.* As such, the prior period adjustment was necessary to record the beginning pension asset of the Town. The following illustrates the effect of the prior period adjustment:

Beginning Net Position – As Originally Presented	$2,990,757
Restatement due to:	
Net pension asset (measurement date as of December 31, 2013)	4,022
Deferred Outflows:	
Town contributions made to TMRS during fiscal year	1,101
Beginning Net Position – As Restated	$2,995,880

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SHADY SHORES, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes:				
General Sales and Use Taxes	$ 75,000	$ 75,000	$ 79,971	$ 4,971
Ad Valorem Taxes and Penalties	721,289	721,289	725,397	4,108
Franchise Tax	137,350	137,350	140,282	2,932
Government Grants	-	-	2,551	2,551
Building Permits & Fees	51,100	51,100	66,174	15,074
Municipal Court Fines	17,850	17,850	32,572	14,722
Interest Income	2,568	2,568	6,128	3,560
Miscellaneous & Other Revenue	2,600	2,600	2,398	(202)
Total Revenues	1,007,757	1,007,757	1,055,473	47,716
Expenditures:				
General Government Administration	334,910	334,910	317,694	17,216
Public Safety	525,700	525,700	529,273	(3,573)
Public Works/Other	147,147	147,147	97,843	49,304
Total Expenditures	1,007,757	1,007,757	944,810	62,947
Excess (Deficiency) of Expenditures Over (Under)Revenues	-	-	110,663	110,663
Net Change in Fund Balance	-	-	110,663	110,663
Fund Balance – October 1 (Beginning)	1,976,496	1,976,496	1,976,496	-
Fund Balance – September 30 (Ending)	$ 1,976,496	$ 1,976,496	$ 2,087,159	$ 110,663

TOWN OF SHADY SHORES, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	2014
Total pension liability	
Service Cost	$ 2,663
Interest (on the Total Pension Liability)	667
Changes of benefit terms	0
Difference between expected and actual experience	(595)
Change of assumptions	0
Benefit payments, including refunds of employee contributions	-
Net Change in Total Pension Liability	2,735
Total Pension Liability – Beginning	8,201
Total Pension Liability – Ending (a)	$ 10,936
Plan Fiduciary Net Position	
Contributions – Employer	$ 285
Contributions – Employee	1,889
Net Investment Income	701
Benefit payments, including refunds of employee contributions	-
Administrative Expense	(7)
Other	(1)
Net Change in Plan Fiduciary Net Position	2,867
Plan Fiduciary Net Position – Beginning	12,223
Plan Fiduciary Net Position – Ending (b)	$ 15,090
Net Pension Liability (Asset) – Ending (a) – (b)	$ (4,154)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	137.98%
Covered Employee Payroll	$ 37,788
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	(10.99%)

Note: GASB 68, Paragraph 81, 2,a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of December 31, 2014 – the period from January 1, 2014 – December 31, 2014.

Note: Only one year of data is presented in accordance with GASBS 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

TOWN OF SHADY SHORES, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR FISCAL YEAR 2015

	2015
Contractually Required Contribution	$ 836
Contribution in Relation to the Contractually Required Contribution	(836)
Contribution Deficiency (Excess)	$ -0-
Town's Covered-Employee Payroll	$ 100,115
Contributions as a Percentage of Covered-Employee Payroll	0.84%

Note: GASB 68, Paragraph 81, 2,b requires that the data in this schedule be presented as of the Town's current fiscal year as opposed to the time period covered by the measurement date of January 1, 2014 - December 31, 2014.

Note: Only one year of data is presented in accordance with GASBS 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the Town's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes	There were no changes of benefit terms or changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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OTHER SUPPLEMENTARY INFORMATION

TOWN OF SHADY SHORES, TEXAS
GENERAL FUND
STATEMENT OF REVENUES
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Property Taxes:			
Current Year Taxes and Penalties	$ 721,289	$ 725,397	$ 4,108
Franchise Taxes:			
TXU Energy	95,000	79,036	(15,964)
Atmos Energy	20,000	26,265	6,265
CoServ Gas	50	71	21
Century Telephone	2,800	3,684	884
Charter Communications	18,000	29,562	11,562
Waste Management	1,500	1,664	164
Total	137,350	140,282	2,932
Other Revenues:			
Government Grants	-	2,551	2,551
Sales Taxes	75,000	79,971	4,971
Permits and Other Fees	51,100	66,174	15,074
Municipal Court Fines	17,850	32,572	14,722
Interest on Investments	2,568	6,128	3,560
Other Revenues	2,600	2,398	(202)
Total	149,118	189,794	40,676
Total Revenues	$ 1,007,757	$ 1,055,473	$ 47,716

TOWN OF SHADY SHORES, TEXAS
GENERAL FUND
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
General Government Administration:			
Town Secretary	$ 62,000	$ 62,116	$ (116)
Office Clerk	8,700	-	8,700
Court Clerk	30,000	41,021	(11,021)
Payroll Taxes	12,000	8,423	3,577
Retirement	3,100	432	2,668
Municipal Judge	1,800	1,800	-
Computer Expense	10,000	10,829	(829)
Attorney Fees	45,000	57,963	(12,963)
Accounting/Audit Fees	6,500	6,833	(333)
Postage/Mailing	700	460	240
Staff Development/Training	5,000	5,345	(345)
Advertising	2,500	2,214	286
Engineering Fees	35,000	51,284	(16,284)
Building/Maintenance	10,000	9,828	172
Telephone & Utilities	20,200	15,142	5,058
Dues & Subscriptions	700	658	42
Office/Insurance	9,660	8,091	1,569
Codification	10,000	6,705	3,295
Election Expense	4,000	3,481	519
Community Events	4,500	4,908	(408)
Promotional	1,500	1,000	500
Court Fines to State	10,000	10,754	(754)
Court Software	1,000	-	1,000
Jury Fees	500	-	500
Other Expenditures	21,050	1,918	19,132
Tax Collection	7,500	5,964	1,536
Contingency	10,000	-	10,000
Building Deposit Refund	2,000	525	1,475
Total Administration	334,910	317,694	17,216
Public Safety:			
Police Services	211,000	215,719	(4,719)
Animal Control	14,700	13,597	1,103
Fire and Ambulance	300,000	299,957	43
Total Public Safety	525,700	529,273	(3,573)
Public Works:			
Inspections	20,000	26,370	(6,370)
Code Enforcement	7,200	7,407	(207)
Roads & Streets	61,401	-	61,401
Street Signs	2,000	3,020	(1,020)
Library	29,046	29,046	-
Public Works	25,000	31,880	(6,880)
Regional Storm Water	2,500	120	2,380
Total Public Works	147,147	97,843	49,304
Total Expenditures	$ 1,007,757	$ 944,810	$ 62,947

TOWN OF SHADY SHORES, TEXAS
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
SEPTEMBER 30, 2015

Tax Year	Balance September 30, 2014	Current Year Levy	Collections	Supplements/ Adjustments	Balance September 30, 2015
1999-2005	$ 855	$ -	$ -	$ -	$ 855
2005-2006	306	-	-	-	306
2006-2007	238	-	11	-	227
2007-2008	623	-	-	-	623
2008-2009	893	-	40	-	853
2009-2010	909	-	79	-	830
2010-2011	966	-	109	(15)	842
2011-2012	1,044	-	201	(16)	827
2012-2013	1,388	-	354	(15)	1,019
2013-2014	3,827	-	1,893	(101)	1,833
2014-2015	-	720,282	718,903	2,036	3,415
Totals	11,049	720,282	721,590	1,889	11,630
Less allowance for uncollectible accounts					-
					$ 11,630

Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

HANKINS, EASTUP, DEATON,
TONN & SEAY
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor and Town Council
Town of Shady Shores, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Shady Shores, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise The Town of Shady Shores, Texas's basic financial statements, and have issued our report dated January 29, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 29, 2016