

CITY OF GILMER, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2018

ISSUED BY

CITY OF GILMER, TEXAS

GREG HUTSON
CITY MANAGER

Introductory Section

City of Gilmer, Texas
 Comprehensive Annual Financial Report
 For The Year Ended September 30, 2018

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION		
Letter of Transmittal.....	5	
Organizational Chart.....	8	
GFOA Certificate of Achievement.....	9	
List of Principal Officials.....	10	
FINANCIAL SECTION		
Independent Auditors' Report.....	11	
Management's Discussion and Analysis (Required Supplementary Information).....	14	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	23	A-1
Statement of Activities.....	24	A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	26	A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	28	A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	30	A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	32	A-6
Statement of Revenues, Expenditures and Changes in Fund		
Balances - Budget (GAAP Basis) and Actual - General Fund.....	33	A-7
Statement of Revenues, Expenditures and Changes in Fund		
Balances - Budget (GAAP Basis) and Actual - Economic Development Fund.....	34	A-8
Statement of Net Position - Proprietary Funds.....		
Statement of Revenues, Expenses, and Changes in	35	A-9
Fund Net Position - Proprietary Funds.....	36	A-10
Statement of Cash Flows - Proprietary Funds.....	37	A-11
Notes to the Financial Statements	38	
<u>Required Supplementary Information</u>		
Schedule of the City's Proportionate Share of the		
Net Pension Liability - Texas Emergency Services Retirement System.....	65	A-12
Schedule of City's Contributions - Texas Emergency Services Retirement System.....	66	A-13
Schedule of Changes in the City's Net Pension Liability		
And Related Ratios -Texas Municipal Retirement System	67	A-14
Schedule of City's Contributions - Texas Municipal Retirement System.....	68	A-15
Schedule of City's Contributions - Supplemental Death Benefits Fund Administered by		
Texas Municipal Retirement System	69	A-16
Schedule of Changes in the City's Total OPEB Liability		
And Related Ratios -Supplemental Death Benefits Fund Administered by		
Texas Municipal Retirement System	70	A-17

City of Gilmer, Texas
 Comprehensive Annual Financial Report
 For The Year Ended September 30, 2018

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
<u>Combining Statements and Budgetary Comparison Schedules as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	71	B-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Nonmajor Governmental Funds.....	72	B-2
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	73	B-3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	74	B-4
Budgetary Comparison Schedule:		
Civic Center Fund.....	75	B-5
Debt Service Fund:		
Budgetary Comparison Schedule:		
Debt Service Fund.....	76	B-6
Capital Projects Fund:		
Budgetary Comparison Schedule:		
Street Improvements Fund.....	77	B-7
 STATISTICAL SECTION		
Net Position by Component.....	81	Table 1
Change in Net Position	82	Table 2
Fund Balances of Governmental Funds	84	Table 3
Changes in Fund Balances of Governmental Funds.....	86	Table 4
Assessed Value and Estimated Actual Value of Taxable Property.....	88	Table 5
Direct and Overlapping Property Tax Rates.....	89	Table 6
Principal Property Tax Payers.....	90	Table 7
Property Tax Levies and Collections.....	91	Table 8
Ratios of Outstanding Debt by Type.....	92	Table 9
Ratios of General Bonded Debt Outstanding.....	93	Table 10
Direct and Overlapping Governmental Activities Debt.....	94	Table 11
Legal Debt Margin Information.....	95	Table 12
Pledged-Revenue Coverage.....	96	Table 13
Demographic and Economic Statistics.....	97	Table 14
Principal Employers.....	98	Table 15
Full-Time-Equivalent Employees by Function/Program.....	99	Table 16
Operating Indicators by Function/Program.....	100	Table 17
Capital Asset Statistics by Function/Program.....	101	Table 18

City of Gilmer, Texas
Comprehensive Annual Financial Report
For The Year Ended September 30, 2018

TABLE OF CONTENTS

Page Exhibit

COMPLIANCE SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	103
Schedule of Findings and Questioned Costs	105
Summary Schedule of Prior Audit Findings.....	106
Corrective Action Plan.....	107

This page is left blank intentionally.



April 10, 2019

The Honorable Mayor and City Council
of the City of Gilmer

The Texas Local Government Code states that a municipality shall have its records and accounts audited annually and shall have annual financial statements prepared based on the audit. The Comprehensive Annual Financial Report (CAFR) of the City of Gilmer, Texas (the "City") for the year ended September 30, 2018, is hereby submitted to fulfill that requirement.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to gain an understanding of the City's financial affairs have been included. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Karen A. Jacks & Associates, P.C., has issued an unmodified ("clean") opinion on the City of Gilmer's financial statements for the year ended September 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (the "MD&A") immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILES OF THE CITY

The City of Gilmer, founded in 1848, is the county seat of Upshur County. Gilmer is located 35 miles northeast of Tyler and 22 miles northwest of Longview. The city's namesake is Thomas W. Gilmer who died during the test firing of a new cannon on the USS *Princeton* on February 28, 1844. The City has a population of 5,100 within the Gilmer ISD school district. Gilmer ISD operates 1 elementary school, 1 intermediate school, 1 junior high, and 1 high school within city boundaries. The City of Gilmer operates under a council-manager form of government. The governing body is comprised of 2 at large elected council members, and 4 council members elected from their respective districts. The governing body is made up of a Mayor and six Council members. Length of office for all Council members and the Mayor are two-year staggered terms. The City Council appoints the City Manager, City Attorney, and Municipal Court Judge. All other staff members work either directly or indirectly under the direction of the City Manager.

The combined Financial Statements of the City of Gilmer include all governmental activities, business-type activities, organizations, and functions for which the City exercises significant oversight responsibility. The criteria considered in determining governmental activities to be reported within the City's combined financial statements are based upon and consistent with those set forth in Section 2100 of GASB's "Codification of Governmental Accounting and Financial

Reporting Standards". Based on this criterion the Gilmer Economic Development Corporation is included in this report as a component unit of the City of Gilmer.

The City Council appoints its boards and commissions, which do not meet the established criteria for inclusion in the reporting entity and are therefore excluded from this report. They are the following:

1. Planning & Zoning
2. Board of Adjustments
3. Airport Advisory Board
4. Gilmer Housing Authority
5. Park Advisory Board
6. Condemnation Board

Currently, the City Council serves in these capacities. The City provides services to its citizens that are considered necessary and meaningful and that can be provided by the City at a reasonable cost. Major service provided under general government and enterprise functions are: police and fire protection, water, wastewater, solid waste, street upkeep and maintenance, stormwater, and general administrative services. Other services include code enforcement, building inspection, animal control, and economic development. The City operates a municipal court as established by City ordinance.

LOCAL ECONOMY

The City of Gilmer, the Northeast Texas Region, and the State of Texas have experienced steady economic growth over the last several years with continued expansion expected. The population (area and city) is expected to increase over the next few years. As such, the number and types of businesses will increase within the city. Types of existing businesses supporting the local economy include feed stores, repair businesses, restaurants, convenience stores, motels, retail, and other service-oriented businesses. The City's major sources of revenue are sales and ad valorem property taxes and have fluctuated according to prevailing business conditions.

The area unemployment rate for 2018 was 4.0%. One area of concern is the continued lack of a skilled work force in the surrounding area. The City and area economic development groups have combined efforts to make Gilmer and the surrounding area a better place to live and work. The Economic Development Corporation in collaboration with the Gilmer Industrial Foundation is committed to marketing the City's assets and encouraging business relocation, retention, and entrepreneurial activity. The City of Gilmer has been growing slowly but management believes we are on the right track to see increases in population and future development projects.

LONG-TERM FINANCIAL PLANNING

The City's overall financial position is sound. The reserves in all funds are adequate and will continue to be increased over the next 3-5 years. Cost containment and increased revenues are primary towards meeting this ongoing objective. In addition, these reserves are monitored which is accomplished through continual refinement of long-range fund projections.

Improvements to water and sewer infrastructure continue to be made and this year was no exception and this continues to be a top priority for city leadership.

FINANCIAL PROCEDURES AND BUDGETARY CONTROLS

The City's accounting records for general government are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and

the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis. The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's financial management staff, and expenditure estimates by each City's division. Budgets are reviewed by the City Manager who submits a recommended budget to the City Council. The City Council approves all budget amendments.

MAJOR INITIATIVES

Major initiatives completed during the fiscal year include:

- Replacement of Heck Lee lift station with new lift station
- Cypress and Cass Street paving
- Purchase and replace vehicles and equipment needed for efficient operation of public works
- Purchase and replace vehicles and equipment needed for efficient operation of the Police Department
- New Code Enforcement officer and division
- Purchase of additional 12.5 acres of land for Yamboree Park
- New water well and distribution lines in Pines Acres subdivision
- Parks Master Plan

Projects undertaken in this fiscal year include:

- Airport land acquisition for RPZ, obstruction survey, master plan, and pavement rehabilitation
- New City website with increased capabilities for interaction with the public
- New Land Use map and updated Zoning map
- Abney Park right of ownership to the city

Projects planned for the future include:

- Grant funding of new generators (stationary & mobile) for wastewater treatment, pump stations, and other wells
- Parks improvements/upgrades

OTHER INFORMATION

The City Manager led the call and formation of the Upshur Area Business Roundtable. The purpose of UABR is to bring other government entities, civic leaders, and business leaders together for the purpose of being on the same page, headed in the same direction for the benefit of the Upshur County area and its cities and communities. Every indication so far, shows it to be a success.

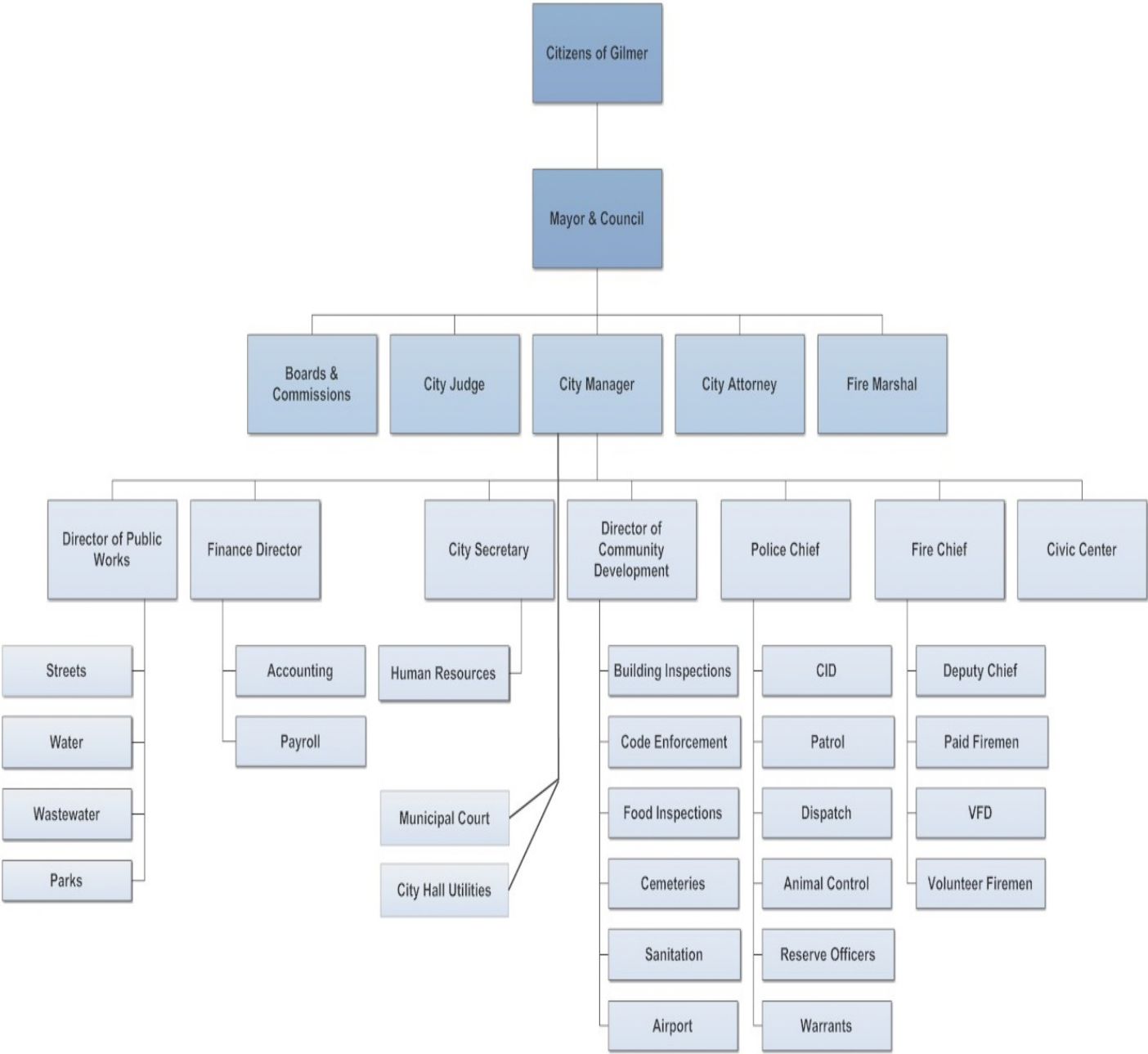
Lastly, the preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff. I would like to express my appreciation to all members of the departments who assisted and contributed to the preparation of this report. Due credit is also given to the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Greg Hutson
City Manager

City of Gilmer Organization Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Gilmer
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF GILMER, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2018

Elected Officials

<u>Name</u>	<u>Office</u>
Tim Marshall	Mayor
William Hornsby	Mayor Pro Tem
Marty Jordan	Council Member
Brian Williams	Council Member
Teathel Hollis	Council Member
Michael Chevalier	Council Member
Jarom Tefteller	Council Member

Appointed Officials

<u>Name</u>	<u>Position</u>
Greg Hutson	City Manager
Maria Cisneros	City Secretary

Financial Section

KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

P.O. Box 3167
Longview, Texas 75606

Phone: 903-238-8822

1501 Colony Circle
Longview, Texas 75604

Fax: 903-238-9838

Karen A. Jacks, CPA, CGMA
Peggy J. Lantz, CPA

Sherry Davis, CPA
Chanie A. Johnson, CPA

Independent Auditors' Report

To the Honorable Mayor and City Council
City of Gilmer, Texas
110 Buffalo
Gilmer, Texas 75644

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gilmer, Texas ("the City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gilmer, Texas as of September 30, 2018, and the respective

changes in financial position, and, where applicable, cash flows thereof and the respective budget comparison for the General Fund and the major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, City of Gilmer, Texas adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, schedule of the City's proportionate share of the net pension liability (TESRS), schedule of City pension contributions (TESRS), schedule of changes in the City's net pension liability (TMRS), schedule of City pension contributions (TMRS), schedule of City OPEB contributions and schedule of changes in the City's total OPEB liability and related ratios identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gilmer, Texas' basic financial statements. The introductory section, combining nonmajor fund financial statements, budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2019 on our consideration of City of Gilmer, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 City of Gilmer, Texas' internal control over financial reporting and compliance.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
April 10, 2019

City of Gilmer, Texas

Management's Discussion and Analysis

For Year Ended September 30, 2018

As management of the City of Gilmer, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information in the City's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The City of Gilmer's assets and deferred outflows of resources at September 30, 2018 totaled \$37,480,725 compared to its liabilities and deferred inflows of resources of \$15,692,342; the excess of assets over liabilities (net position) was \$21,788,383. Exclusive of the cumulative effect of implementing GASB Statement No. 75 (\$142,275), the city's total net position increased by \$1,149,437. The increase is attributable to a reduced amount of funds needed to repay debt.
- During the year ended September 30, 2018, the City continued use of the Combined Tax and Revenue Certificates of Obligation Bonds, Series 2015 bond proceeds to fund the City's contractual obligations to be incurred in connection with constructing and improving the City's waterworks and sewer system including lift station improvements and expansion, and the construction of a new water well; all of which have been completed in fiscal year 2018.
- The General Fund revenues were \$3,342,881 with expenditures of \$3,367,281. There were also net transfers into the General Fund from other funds of \$265,691 and sale of assets of \$30,330, which resulted in an increase of fund balance of \$271,621. At September 30, 2018 the General Fund had a fund balance of \$1,833,587.
- 12.5 acres of additional park land was purchased for \$69,816.50 on the north end of Yamboree Park using park designated funds from the sale of the old police station in the previous fiscal year.
- 15.416 acres of land located behind the Civic Center and owned by the city were donated to City of Gilmer EDC which then sold said land for \$100,000 to the Yamboree Association. The proceeds of the sale were donated to the city by the Gilmer EDC and designated for park land improvements & acquisitions.
- Completed rebuild of Cypress Street, which began in fiscal 2017, (from SH154 to SH155) and Cass Street (from Cypress to SH271) for \$343,147 using CDBG monies. CDBG monies contributed \$275,000 towards the total cost with the city paying for the remainder of \$68,147.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised 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 City's finances, in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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, earned but unused compensated absences).

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

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

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

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

The City maintains three major governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Economic Development and Debt Service funds. Data from the other non-major funds are combined into a single, aggregated presentation.

Proprietary Funds- The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, airport and sanitation operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water & Sewer and Sanitation

funds since they are considered to be major funds of the City. The Airport fund is also included as an Enterprise fund, but is maintained separately.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Gilmer, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21,788,383, as of September 30, 2018, an increase of \$1,007,162 from the previous year.

The largest portion of the City's net position, 80.6%, reflects its net investment in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF GILMER'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$ 3,210,947	\$ 3,472,837	\$ 3,119,004	\$ 2,906,235	\$ 6,329,951	\$ 6,379,072
Capital assets	12,794,017	12,134,218	17,709,723	18,245,765	30,503,740	30,379,983
Total assets	16,004,964	15,607,055	20,828,727	21,152,000	36,833,691	36,759,055
Deferred outflows related to pensions	457,303	246,193	97,022	61,157	554,325	307,350
Deferred outflows related to OPEB	-	9,149	-	2,432	-	11,581
Loss on defeasance of debt	-	-	439,783	402,739	439,783	402,739
Total deferred outflows of resources	457,303	255,342	536,805	466,328	994,108	721,670
Current liabilities	761,543	567,366	1,075,715	949,522	1,837,258	1,516,888
Noncurrent liabilities, due in more than one year	6,422,770	5,844,105	8,786,430	8,115,366	15,209,200	13,959,471
Total liabilities	7,184,313	6,411,471	9,862,145	9,064,888	17,046,458	15,476,359
Deferred inflows related to pensions	98	171,171	22	44,812	120	215,983
Net position:						
Net investment in capital assets	7,955,663	7,358,654	9,636,185	10,209,670	17,591,848	17,568,324
Restricted	1,465,125	1,563,527	109,835	110,099	1,574,960	1,673,626
Unrestricted	(142,932)	357,574	1,757,345	2,188,859	1,614,413	2,546,433
Total net position	\$ 9,277,856	\$ 9,279,755	\$ 11,503,365	\$ 12,508,628	\$ 20,781,221	\$ 21,788,383

Analysis of the City's Operations- Overall the City had an increase in net position of \$1,007,162. Governmental activities increased the net position by \$1,899 and net position from business-type activities increased by \$1,005,263.

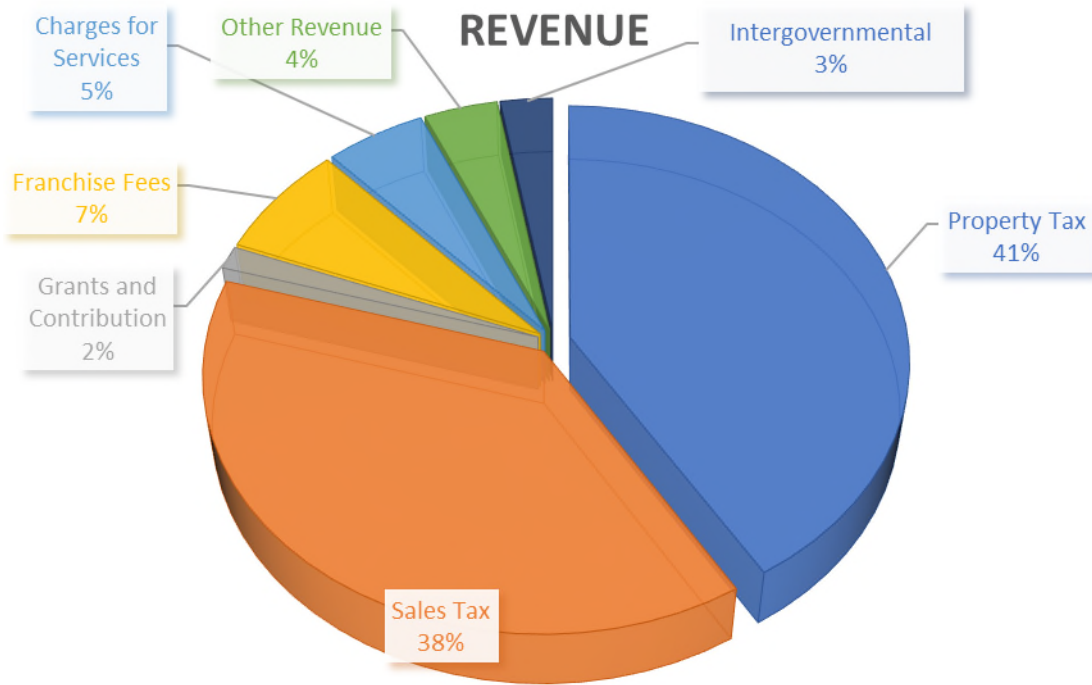
In fiscal year 2012, the City of Gilmer was awarded a grant from the Texas Department of Transportation. The grant proceeds, along with local matching funds, are to be used to acquire land for the City's airport. In fiscal year 2015, work began on the project.

The following table provides a summary of the City's operations for the years ended September 30, 2018 and 2017.

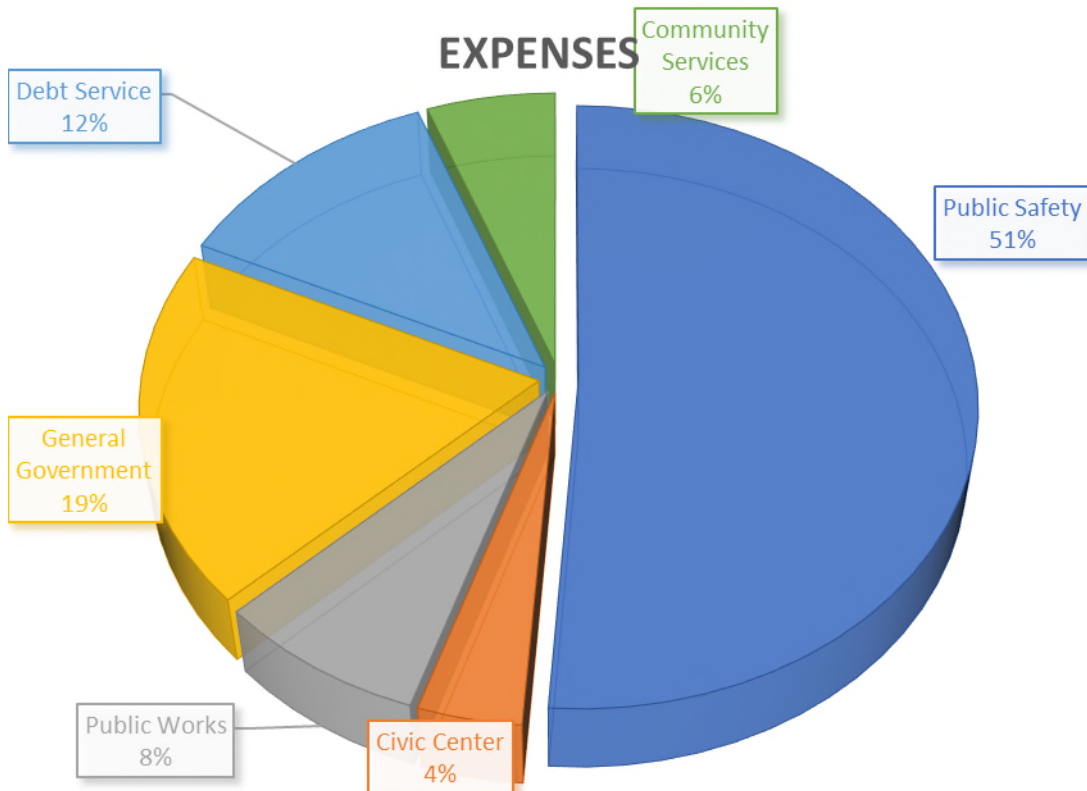
CITY OF GILMER'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
REVENUES:						
PROGRAM REVENUES:						
Charges for services	\$ 421,763	\$ 403,071	\$ 3,018,087	\$ 3,179,677	3,439,850	3,582,748
Operating grants & contributions	1,686	7,627	8,563	11,000	10,249	18,627
Capital grants & contributions	1,468,902	58,937	214,573	179,623	1,683,475	238,560
GENERAL REVENUES:						
Property taxes, levied for general purposes	1,243,227	1,336,544	-	-	1,243,227	1,336,544
Property taxes, levied for debt services	571,462	571,524	-	-	571,462	571,524
Sales taxes	1,100,982	1,179,408	-	-	1,100,982	1,179,408
Sales taxes for Economic Development	548,972	587,864	-	-	548,972	587,864
Franchise fees	319,980	332,181	-	-	319,980	332,181
Other taxes	56,213	54,268	-	-	56,213	54,268
Penalty and interest	21,520	14,469	-	-	21,520	14,469
Miscellaneous revenue	72,395	89,365	-	-	72,395	89,365
Investment earnings	17,858	23,815	13,273	18,091	31,131	41,906
Gain on sale of equipment	80,277	96,170	56,231	1,942	136,508	98,112
TOTAL REVENUES	5,925,237	4,755,243	3,310,727	3,390,333	9,235,964	8,145,576
EXPENSES:						
Legislative	35,905	26,088	-	-	35,905	26,088
Municipal court	100,526	98,357	-	-	100,526	98,357
Executive/administration	387,609	290,142	-	-	387,609	290,142
Community development	167,866	174,063	-	-	167,866	174,063
Financial administration	198,223	195,276	-	-	198,223	195,276
Police	1,598,693	1,652,529	-	-	1,598,693	1,652,529
Fire protection	640,257	663,981	-	-	640,257	663,981
Highways and streets	518,517	532,236	-	-	518,517	532,236
Parks	43,253	87,768	-	-	43,253	87,768
Lake	10,100	1,515	-	-	10,100	1,515
Civic center	191,787	262,703	-	-	191,787	262,703
Non departmental	246,708	238,161	-	-	246,708	238,161
Interest & fiscal agent fees	211,190	201,809	-	-	211,190	201,809
Water & sewer	-	-	1,745,905	1,809,312	1,745,905	1,809,312
Sanitation	-	-	669,563	682,409	669,563	682,409
Airport	-	-	88,715	79,790	88,715	79,790
TOTAL EXPENSES	4,350,634	4,424,628	2,504,183	2,571,511	6,854,817	6,996,139
Increase (decrease) in net position before transfers	1,574,603	330,615	806,544	818,822	2,381,147	1,149,437
Transfers in (out)	74,834	(216,318)	(74,834)	216,318	-	-
CHANGES IN NET POSITION	1,649,437	114,297	731,710	1,035,140	2,381,147	1,149,437
NET POSITION - BEGINNING	7,628,419	9,277,855	11,414,293	11,503,366	19,042,712	20,781,221
PRIOR PERIOD ADJUSTMENT	-	(112,397)	(642,638)	(29,878)	(642,638)	(142,275)
NET POSITION - ENDING	\$9,277,856	\$9,279,755	\$11,503,365	\$12,508,628	\$20,781,221	\$21,788,383

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



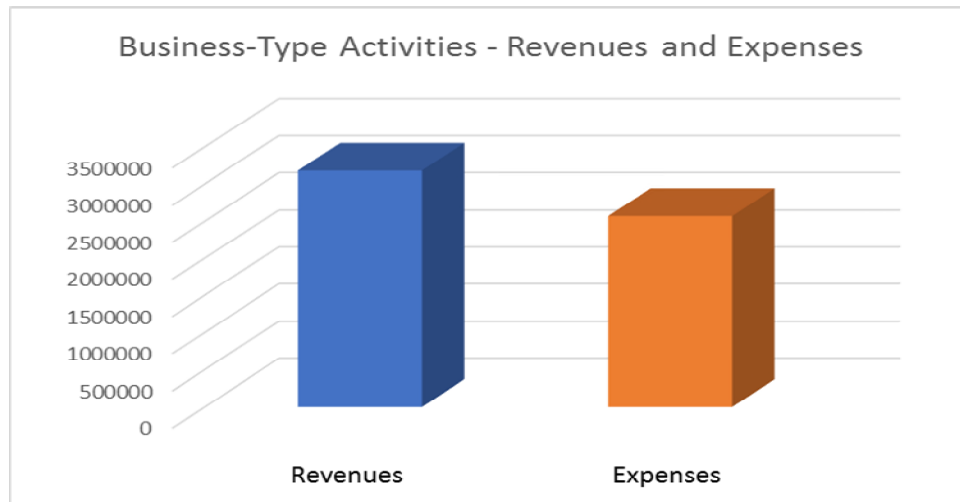
For the year ended September 30, 2018, revenues from governmental activities totaled \$4,755,243. Property tax, sales tax, and charges for services are the City’s largest revenue source. Property tax receipts increased with no change in the city’s adopted tax rate from the prior year. This increase is attributed to the rise in local property tax valuations. Sales tax receipts also increased due to the continued economic recovery at the local, state, and national levels.



For the year ended September 30, 2018, expenses for governmental activities totaled \$4,424,628. This represents an increase of \$73,994 or 1.70% from the prior year. The City’s largest functional expense is public safety of \$2,316,510

which increased \$77,560 or 3.46% from the prior year. This increase is due in part, to a general increase in salaries and wages, and healthcare costs. General government decreased \$120,947 or 12.48% primarily due to across the board cost decreases.

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



For the year ended September 30, 2018, charges for services by business-type activities totaled \$3,179,677. This is an increase of \$161,590 or 5.35% from the previous year. Grants and contributions decreased by \$32,513.

Total expenses increased by \$67,328 or 2.69% from the previous year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds- The focus of the City of Gilmer's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The City's governmental funds consist primarily of the General Fund, Economic Development Fund, Debt Service Fund, and Other Governmental Funds.

The City of Gilmer's general fund reported at end of the current fiscal year, an ending fund balance of \$1,833,587 which is an increase of \$271,621 from last fiscal year's balance of \$1,561,966. Of the current balance, \$1,434,605 constitutes unassigned fund balance. The remainder of the fund balance is restricted by statute or its providers, such as construction (\$99,427) and other purposes (\$220,941) or has been assigned by the City to express intent for a narrower purpose than general government obligations (\$78,614) and to indicate that it is not available for new spending because it has already been obligated for debt service or other restricted purposes, or assigned a specific City initiative. Information on the amounts restricted or assigned for other purposes can be found in the Notes to the Financial Statements.

The City of Gilmer's economic development fund reported at end of the current fiscal year, an ending fund balance of \$1,120,336 which is an increase of \$175,615 from last fiscal year's balance of \$944,721. This fund balance is restricted by debt covenant and is not available for new spending.

The City of Gilmer's debt service fund reported at end of the current fiscal year, an ending fund balance of \$23,777 which is a decrease of \$6,093 from last fiscal year's balance of \$29,870. This fund balance is restricted by statute for debt service and is not available for new spending.

The City of Gilmer's other governmental funds reported at end of the current fiscal year, an ending fund balance of \$137,006 which is a decrease of \$189 from last fiscal year's balance of \$137,195. The fund balance is restricted by statute or its providers, such as construction (\$328) and other purposes (\$136,678) and to indicate that it is not available for new spending because it has already been obligated for restricted purposes. Information on the amounts restricted for other purposes can be found in the Notes to the Financial Statements.

Proprietary funds- The City's proprietary funds consist primarily of Water & Sewer, Sanitation, and Airport funds. These fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Total Net Position of the Water and Sewer fund at end of the current fiscal year was \$9,527,649 which represents an increase of \$790,326. Of the Total Net Position, \$1,789,811 represents unrestricted net position at the end of the current fiscal year.

Total Net Position of the Sanitation fund at the end of the current fiscal year was \$445,284 which represents an increase of \$29,025. Of the Total Net Position, \$214,800 represents unrestricted net position at the end of the current fiscal year.

Total Net Position of the Airport fund at the end of the current fiscal year was \$2,535,695 which represents an increase of \$185,911. Of the Total Net Position, \$184,248 represents unrestricted net position at the end of the current fiscal year.

General Fund Budget vs. Actual Variances-Total actual revenues exceeded budgeted revenues by \$123,346 for the current fiscal year primarily due to actual sales tax receipts exceeding budgeted sales tax by \$106,374. Actual fines and forfeitures were 10% (\$22,903) less than the budgeted amount due to turnover in the Police Department and at times, not being fully staffed during the current fiscal year. Other revenue line item variances that were negative in nature, were not significant and/or were offset by other revenue line items that contained positive variances. In addition, total actual expenditures were less than total budgeted expenditures for the current fiscal year by \$494,676 contributing to an excess of revenues over expenditures in the amount of \$618,022. Lastly, a significant amount of actual transfers in (95%) is due to 2015 CO bond monies used for capital improvements to infrastructure during the current fiscal year. This also impacted the final budget amount of transfers out compared to the original budgeted amount.

CAPITAL ASSETS

The City of Gilmer's investment in capital assets for its governmental and business-type activities as of September 30, 2018 amounts to \$30,379,983 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, improvements, machinery & equipment and construction in progress.

**Capital Assets at Year-end
Net of Accumulated Depreciation**

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Land	\$ 1,672,151	\$ 1,657,711	\$ 4,525,164	\$ 4,525,163	\$ 6,197,315	\$ 6,182,874
Infrastructure	6,348,138	6,170,643	7,973,345	8,973,964	14,321,483	15,144,607
Buildings	2,406,698	3,528,255	698,555	682,262	3,105,253	4,210,517
Improvements, other than buildings	-	-	3,593,015	3,457,647	3,593,015	3,457,647
Machinery & equipment	853,280	777,609	201,740	141,571	1,055,020	919,180
Construction in progress	1,513,750	-	717,904	465,158	2,231,654	465,158
Total	\$ 12,794,017	\$ 12,134,218	\$ 17,709,723	\$ 18,245,765	\$ 30,503,740	\$ 30,379,983

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Gilmer had total long-term debt of \$13,343,959. Of this amount, \$1,454,101 comprises bonded debt backed by the full faith and credit of the government, \$51,698 represents the balance of a note payable backed by the full faith and credit of the government, while \$6,815,000 represents bonds secured solely by water and sewer revenues and \$1,405,899 represents Combination Tax and Revenue Certificates of Obligation which are secured by tax receipts as well as water and sewer revenue. The remainder amount of \$3,385,000 does not constitute an obligation of the City of Gilmer, but is reported herein as an obligation of its component unit, Gilmer Economic Development Corporation.

**Outstanding Debt at Year End
Bonds and Notes Payable**

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
General Obligation Bonds	\$ 1,583,750	\$ 1,454,101	\$ -	\$ -	\$ 1,583,750	\$ 1,454,101
Revenue Bonds Payable	-	-	7,320,000	6,815,000	7,320,000	6,815,000
Notes	56,500	51,698	-	-	56,500	51,698
Tax & Revenue CO	-	-	1,531,250	1,405,899	1,531,250	1,405,899
Premium (discount) on issuance of debt	33,482	30,134	239,528	217,934	273,010	248,068
Sub-total	1,673,732	1,535,933	9,090,778	8,438,833	10,764,510	9,974,766
Sales & Tax Revenue Bonds	3,545,000	3,385,000	-	-	3,545,000	3,385,000
Premium (discount) on issuance of debt	(16,869)	(15,807)	-	-	(16,869)	(15,807)
Sub-total	3,528,131	3,369,193	-	-	3,528,131	3,369,193
Total	\$ 5,201,863	\$ 4,905,126	\$ 9,090,778	\$ 8,438,833	\$ 14,292,641	\$ 13,343,959

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2018-2019, budget and rates. Sales tax receipts had shown an increase in fiscal year 2017-2018 over the previous three years; however, the revenue was still budgeted conservatively. The city sales tax rate is 1.5%. Of that rate, .5% is allocated for economic development and the remainder for general government. In addition, 85% of the EDC sales tax is appropriated for debt service of Lake Gilmer with the remainder allocated for capital projects. The city collected taxes on beer and wine sales but the total for the year was not material. The property tax rate for 2018-2019 remained the same as the 2017-2018 rate of \$.629523/\$100.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City's business office at City of Gilmer, 110 Buffalo, Gilmer, Texas, 75644.

Basic Financial Statements

CITY OF GILMER, TEXASSTATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 1,411,150	\$ 1,311,397	\$ 2,722,547
Restricted cash	--	121,836	121,836
Investments	1,651,228	898,317	2,549,545
Receivables:			
Taxes	307,742	--	307,742
Accounts	--	503,548	503,548
Notes	18,363	--	18,363
Other	84,354	6,200	90,554
Prepaid expenses	--	64,937	64,937
Capital assets (net of accumulated depreciation):			
Land	1,657,711	4,525,163	6,182,874
Construction in progress	--	465,158	465,158
Infrastructure	6,170,643	12,431,611	18,602,254
Buildings and improvements	3,528,255	682,262	4,210,517
Machinery, furniture and equipment	777,609	141,571	919,180
Total Assets	<u>15,607,055</u>	<u>21,152,000</u>	<u>36,759,055</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows related to pensions	246,193	61,157	307,350
Deferred outflows related to OPEB	9,149	2,432	11,581
Loss on defeasance of debt	--	402,739	402,739
Total deferred outflows of resources	<u>255,342</u>	<u>466,328</u>	<u>721,670</u>
LIABILITIES:			
Accounts payable	50,346	77,081	127,427
Accrued wages	37,683	9,645	47,328
Other liabilities	36,186	--	36,186
Accrual for compensated absences	93,386	25,953	119,339
Accrued interest payable	37,960	71,082	109,042
Unearned revenue	4,500	1,200	5,700
Customer deposits, payable from restricted assets	--	121,836	121,836
Noncurrent liabilities:			
Due within one year	307,305	642,725	950,030
Due in more than one year	5,844,105	8,115,366	13,959,471
Total liabilities	<u>6,411,471</u>	<u>9,064,888</u>	<u>15,476,359</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to pensions	171,171	44,812	215,983
Total deferred inflows of resources	<u>171,171</u>	<u>44,812</u>	<u>215,983</u>
NET POSITION:			
Net investment in capital assets	7,358,654	10,209,670	17,568,324
Restricted For:			
Debt service	1,106,153	110,099	1,216,252
Capital projects	99,755	--	99,755
Other purposes	357,619	--	357,619
Unrestricted	357,574	2,188,859	2,546,433
Total net position	<u>\$ 9,279,755</u>	<u>\$ 12,508,628</u>	<u>\$ 21,788,383</u>

The accompanying notes are an integral part of this statement.

CITY OF GILMER, TEXAS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
Legislative	\$ 26,088	\$ --	\$ --	\$ --
Municipal court	98,357	--	--	--
Executive/administration	290,142	--	--	--
Community development	174,063	36,667	--	--
Financial administration	195,276	--	--	--
Police	1,652,529	209,579	7,627	--
Fire protection	663,981	126,000	--	--
Highways and streets	532,236	--	--	41,880
Parks	87,768	--	--	--
Lake	1,515	--	--	--
Civic center	262,703	30,825	--	17,057
Non-departmental	238,161	--	--	--
Interest	200,259	--	--	--
Fiscal agent fees	1,550	--	--	--
Total Governmental Activities	<u>4,424,628</u>	<u>403,071</u>	<u>7,627</u>	<u>58,937</u>
Business-type Activities:				
Water and sewer	1,809,312	2,279,780	--	--
Sanitation	682,409	825,383	--	--
Airport	79,790	74,514	11,000	179,623
Total Business-type Activities	<u>2,571,511</u>	<u>3,179,677</u>	<u>11,000</u>	<u>179,623</u>
Total Primary Government	<u>\$ 6,996,139</u>	<u>\$ 3,582,748</u>	<u>\$ 18,627</u>	<u>\$ 238,560</u>

General Revenues:
 Property Taxes levied for general purposes
 Property Taxes levied for debt service
 Sales taxes
 Sales taxes for Economic Development
 Franchise taxes
 Other taxes
 Penalty and interest
 Investment earnings
 Miscellaneous
 Sale of assets
 Transfers in (out)
 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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (26,088)		\$ (26,088)
(98,357)		(98,357)
(290,142)		(290,142)
(137,396)		(137,396)
(195,276)		(195,276)
(1,435,323)		(1,435,323)
(537,981)		(537,981)
(490,356)		(490,356)
(87,768)		(87,768)
(1,515)		(1,515)
(214,821)		(214,821)
(238,161)		(238,161)
(200,259)		(200,259)
(1,550)		(1,550)
<u>(3,954,993)</u>		<u>(3,954,993)</u>
--	\$ 470,468	470,468
--	142,974	142,974
--	185,347	185,347
--	<u>798,789</u>	<u>798,789</u>
<u>(3,954,993)</u>	<u>798,789</u>	<u>(3,156,204)</u>
1,336,544	--	1,336,544
571,524	--	571,524
1,179,408	--	1,179,408
587,864	--	587,864
332,181	--	332,181
54,268	--	54,268
14,469	--	14,469
23,815	18,091	41,906
89,365	--	89,365
96,170	1,942	98,112
(216,318)	216,318	--
<u>4,069,290</u>	<u>236,351</u>	<u>4,305,641</u>
114,297	1,035,140	1,149,437
9,277,855	11,503,366	20,781,221
(112,397)	(29,878)	(142,275)
<u>\$ 9,279,755</u>	<u>\$ 12,508,628</u>	<u>\$ 21,788,383</u>

CITY OF GILMER, TEXAS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2018

	General Fund	Economic Development Fund
	<u> </u>	<u> </u>
ASSETS AND OTHER DEBITS:		
Cash	\$ 942,088	\$ 318,398
Investments	889,479	761,749
Receivables:		
Taxes	307,742	--
Due from other funds	--	40,189
Notes receivable	--	--
Other receivable	20,669	--
TOTAL ASSETS	<u>\$ 2,159,978</u>	<u>\$ 1,120,336</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE:		
LIABILITIES:		
Accounts payable	\$ 48,344	\$ --
Due to other funds	43,207	--
Unearned revenue	4,500	--
Other liabilities	27,786	--
Accrued wages	36,719	--
Accrual for compensated absences	4,473	--
TOTAL LIABILITIES	<u>165,029</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred property tax revenue	161,362	--
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>161,362</u>	<u>--</u>
FUND BALANCE:		
Restricted for debt service	--	1,120,336
Restricted for construction	99,427	--
Restricted for other purposes	220,941	--
Assigned	78,614	--
Unassigned	1,434,605	--
TOTAL FUND BALANCE	<u>1,833,587</u>	<u>1,120,336</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 2,159,978</u>	<u>\$ 1,120,336</u>

The accompanying notes are an integral part of this statement.

<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 23,777	\$ 126,887	\$ 1,411,150
--	--	1,651,228
--	--	307,742
--	3,018	43,207
--	18,363	18,363
--	300	20,969
<u>\$ 23,777</u>	<u>\$ 148,568</u>	<u>\$ 3,452,659</u>
\$ --	\$ 2,002	\$ 50,346
--	--	43,207
--	--	4,500
--	8,400	36,186
--	964	37,683
--	196	4,669
<u>--</u>	<u>11,562</u>	<u>176,591</u>
<u>--</u>	<u>--</u>	161,362
--	--	161,362
23,777	--	1,144,113
--	328	99,755
--	136,678	357,619
--	--	78,614
--	--	1,434,605
<u>23,777</u>	<u>137,006</u>	<u>3,114,706</u>
<u>\$ 23,777</u>	<u>\$ 148,568</u>	<u>\$ 3,452,659</u>

CITY OF GILMER, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Total fund balances - governmental funds balance sheet	\$ 3,114,706
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.	12,134,218
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	161,362
Payables for bond principal which are not due in the current period are not reported in the funds.	(4,920,933)
Payables for bond interest which are not due in the current period are not reported in the funds.	(37,960)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(88,717)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	63,385
Unamortized discounts on issuance of bonds are not reported in the funds.	15,807
Recognition of the City's net pension liability is not reported in the funds.	(1,115,195)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(171,171)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	246,193
Recognition of the City's total OPEB liability is not reported in the funds.	(131,089)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>9,149</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 9,279,755</u>

The accompanying notes are an integral part of this statement.

This page is left blank intentionally.

CITY OF GILMER, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Economic Development Fund
	<u> </u>	<u> </u>
REVENUES:		
Property taxes	\$ 1,316,231	\$ --
Penalty and interest	14,981	--
Sales tax	1,179,408	587,864
Franchise taxes	332,181	--
Other taxes	53,756	--
Fines and forfeitures	206,197	--
Licenses and permits	36,667	--
Intergovernmental revenue and grants	126,000	--
Investment income	11,092	11,377
Rents and royalties	4,655	--
Donations	--	--
Grant revenue	7,627	--
Other revenue	54,086	--
TOTAL REVENUES	<u>3,342,881</u>	<u>599,241</u>
EXPENDITURES:		
Legislative	21,864	--
Municipal court	86,393	--
Executive/administration	268,506	--
Community development	147,105	--
Financial administration	164,495	--
Police	1,465,536	--
Fire protection	625,501	--
Highways and streets	262,472	--
Parks	85,733	--
Lake	1,515	--
Civic center	--	--
Non-departmental	238,161	--
Debt service -principal	--	160,000
-interest	--	167,375
-fees	--	750
TOTAL EXPENDITURES	<u>3,367,281</u>	<u>328,125</u>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	<u>(24,400)</u>	<u>271,116</u>
OTHER FINANCING SOURCES (USES):		
Sale of assets	30,330	100,000
Transfers in	610,178	--
Transfers out	(344,487)	(195,501)
TOTAL OTHER FINANCING SOURCES (USES)	<u>296,021</u>	<u>(95,501)</u>
NET CHANGE IN FUND BALANCES	271,621	175,615
FUND BALANCE - BEGINNING	1,561,966	944,721
FUND BALANCE - ENDING	<u>\$ 1,833,587</u>	<u>\$ 1,120,336</u>

The accompanying notes are an integral part of this statement.

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 571,524	\$ --	\$ 1,887,755
--	--	14,981
--	--	1,767,272
--	--	332,181
--	--	53,756
--	--	206,197
--	--	36,667
--	--	126,000
400	946	23,815
--	30,826	35,481
--	17,057	17,057
--	41,880	49,507
--	10,905	64,991
571,924	101,614	4,615,660
--	--	21,864
--	--	86,393
--	--	268,506
--	--	147,105
--	--	164,495
--	1,120	1,466,656
--	--	625,501
--	61,825	324,297
--	--	85,733
--	--	1,515
--	158,336	158,336
--	--	238,161
129,649	4,802	294,451
34,949	1,831	204,155
800	--	1,550
165,398	227,914	4,088,718
406,526	(126,300)	526,942
--	--	130,330
--	126,111	736,289
(412,619)	--	(952,607)
(412,619)	126,111	(85,988)
(6,093)	(189)	440,954
29,870	137,195	2,673,752
\$ 23,777	\$ 137,006	\$ 3,114,706

CITY OF GILMER, 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, 2018

Net change in fund balances - total governmental funds	\$ 440,954
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	208,373
The depreciation of capital assets used in governmental activities is not reported in the funds.	(834,013)
The gain or loss on the sale of capital assets is not reported in the funds.	96,170
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(130,330)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	20,313
Repayment of bond and note principal is an expenditure in the funds but is not an expense in the SOA.	294,451
(Increase) decrease in accrued interest from beginning of period to end of period.	1,610
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	2,595
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	3,382
Bond premiums are reported as received in the funds but are amortized in the SOA.	3,348
Bond discounts are reported as incurred in the funds but are amortized in the SOA.	(1,062)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	186,294
The City's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(4,002)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(164,244)
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.	902
The City's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	(1,796)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	<u>(8,648)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 114,297</u>

The accompanying notes are an integral part of this statement.

CITY OF GILMER, TEXAS

EXHIBIT A-7

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 1,320,849	\$ 1,320,849	\$ 1,316,231	\$ (4,618)
Penalty and interest	18,000	18,000	14,981	(3,019)
Sales tax	1,073,034	1,073,034	1,179,408	106,374
Franchise fees	319,100	319,100	332,181	13,081
Other taxes	56,400	56,400	53,756	(2,644)
Fines and forfeitures	229,100	229,100	206,197	(22,903)
Licenses and permits	23,500	23,500	36,667	13,167
Intergovernmental revenue and grants	123,000	126,000	126,000	--
Investment income	9,110	9,110	11,092	1,982
Rents and royalties	5,700	5,700	4,655	(1,045)
Grant revenue	--	3,400	7,627	4,227
Other revenue	15,251	35,342	54,086	18,744
TOTAL REVENUES	<u>3,193,044</u>	<u>3,219,535</u>	<u>3,342,881</u>	<u>123,346</u>
EXPENDITURES:				
Legislative	30,773	30,773	21,864	8,909
Municipal court	86,548	86,548	86,393	155
Executive/administration	266,177	276,472	268,506	7,966
Community development	165,189	165,189	147,105	18,084
Financial administration	171,144	171,144	164,495	6,649
Police	1,531,614	1,531,614	1,465,536	66,078
Fire protection	693,622	713,175	625,501	87,674
Highways and streets	406,236	432,248	262,472	169,776
Parks	53,113	88,313	85,733	2,580
Lake	5,000	5,000	1,515	3,485
Non-departmental	352,078	361,481	238,161	123,320
TOTAL EXPENDITURES	<u>3,761,494</u>	<u>3,861,957</u>	<u>3,367,281</u>	<u>494,676</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(568,450)	(642,422)	(24,400)	618,022
OTHER FINANCING SOURCES (USES):				
Sale of assets	16,000	30,377	30,330	(47)
Transfers in	796,669	825,731	834,931	9,200
Transfers out	(241,881)	(1,101,179)	(569,240)	531,939
TOTAL OTHER FINANCING SOURCES (USES)	<u>570,788</u>	<u>(245,071)</u>	<u>296,021</u>	<u>541,092</u>
NET CHANGE IN FUND BALANCES	2,338	(887,493)	271,621	1,159,114
FUND BALANCE - BEGINNING	1,561,966	1,561,966	1,561,966	--
FUND BALANCE - ENDING	<u>\$ 1,564,304</u>	<u>\$ 674,473</u>	<u>\$ 1,833,587</u>	<u>\$ 1,159,114</u>

The accompanying notes are an integral part of this statement.

CITY OF GILMER, TEXAS

EXHIBIT A-8

ECONOMIC DEVELOPMENT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales tax	\$ 535,017	\$ 535,017	\$ 587,864	\$ 52,847
Investment income	8,060	8,060	11,377	3,317
TOTAL REVENUES	<u>543,077</u>	<u>543,077</u>	<u>599,241</u>	<u>56,164</u>
EXPENDITURES:				
Debt service -principal	160,000	160,000	160,000	--
-interest	167,375	167,375	167,375	--
-fees	1,813	1,813	750	1,063
TOTAL EXPENDITURES	<u>329,188</u>	<u>329,188</u>	<u>328,125</u>	<u>1,063</u>
Excess of Revenues Over Expenditures	<u>213,889</u>	<u>213,889</u>	<u>271,116</u>	<u>57,227</u>
OTHER FINANCING SOURCES (USES):				
Sale of assets	--	--	100,000	100,000
Transfers out	(80,253)	(80,253)	(195,501)	(115,248)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(80,253)</u>	<u>(80,253)</u>	<u>(95,501)</u>	<u>(15,248)</u>
NET CHANGE IN FUND BALANCES	133,636	133,636	175,615	41,979
FUND BALANCE - BEGINNING	944,721	944,721	944,721	--
FUND BALANCE - ENDING	<u>\$ 1,078,357</u>	<u>\$ 1,078,357</u>	<u>\$ 1,120,336</u>	<u>\$ 41,979</u>

The accompanying notes are an integral part of this statement.

CITY OF GILMER, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Water & Sewer Fund	Sanitation Fund	Airport Fund	Total Proprietary Funds
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 1,060,608	\$ 126,627	\$ 124,162	\$ 1,311,397
Restricted cash	121,586	--	250	121,836
Investments	898,317	--	--	898,317
Receivables (net of allowances for uncollectibles)	349,394	154,154	--	503,548
Other receivables	--	--	6,200	6,200
Prepaid expenses	10,181	--	54,756	64,937
Total current assets	<u>2,440,086</u>	<u>280,781</u>	<u>185,368</u>	<u>2,906,235</u>
Noncurrent assets:				
Capital assets:				
Land	4,266,666	230,484	28,013	4,525,163
Construction in progress	--	--	465,158	465,158
Land improvements	3,558,647	--	1,553,244	5,111,891
Infrastructure	15,414,449	--	--	15,414,449
Buildings	129,125	--	815,817	944,942
Machinery, furniture and equipment	726,769	--	135,457	862,226
Less accumulated depreciation	(8,431,822)	--	(646,242)	(9,078,064)
Total noncurrent assets	<u>15,663,834</u>	<u>230,484</u>	<u>2,351,447</u>	<u>18,245,765</u>
TOTAL ASSETS	<u>18,103,920</u>	<u>511,265</u>	<u>2,536,815</u>	<u>21,152,000</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows related to pensions	61,157	--	--	61,157
Deferred outflows related to OPEB	2,432	--	--	2,432
Loss on defeasance of debt	402,739	--	--	402,739
TOTAL OUTFLOWS OF RESOURCES	<u>466,328</u>	<u>--</u>	<u>--</u>	<u>466,328</u>
LIABILITIES:				
Current liabilities:				
Payable from current assets:				
Accounts payable	10,230	65,981	870	77,081
Wages payable	9,645	--	--	9,645
Accrual for compensated absences	25,953	--	--	25,953
Accrued interest payable	71,082	--	--	71,082
Unearned revenue	1,200	--	--	1,200
Bonds, notes, and loans payable	642,725	--	--	642,725
Payable from restricted assets:				
Customer deposits	121,586	--	250	121,836
Total current liabilities	<u>882,421</u>	<u>65,981</u>	<u>1,120</u>	<u>949,522</u>
Noncurrent liabilities:				
Bonds, notes, and loans payable	7,796,108	--	--	7,796,108
Total OPEB liability	34,846	--	--	34,846
Net pension liability	284,412	--	--	284,412
Total noncurrent liabilities	<u>8,115,366</u>	<u>--</u>	<u>--</u>	<u>8,115,366</u>
TOTAL LIABILITIES	<u>8,997,787</u>	<u>65,981</u>	<u>1,120</u>	<u>9,064,888</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows related to pensions	44,812	--	--	44,812
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>44,812</u>	<u>--</u>	<u>--</u>	<u>44,812</u>
NET POSITION:				
Net investment in capital assets	7,627,739	230,484	2,351,447	10,209,670
Restricted for debt service	110,099	--	--	110,099
Unrestricted	1,789,811	214,800	184,248	2,188,859
TOTAL NET POSITION	<u>\$ 9,527,649</u>	<u>\$ 445,284</u>	<u>\$ 2,535,695</u>	<u>\$ 12,508,628</u>

The accompanying notes are an integral part of this statement.

CITY OF GILMER, TEXASSTATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Water & Sewer Fund	Sanitation Fund	Airport Fund	Total Proprietary Funds
OPERATING REVENUES:				
Charges for water services	\$ 1,402,279	\$ --	\$ --	\$ 1,402,279
Charges for sewer services	789,651	--	--	789,651
Charges for sanitation services	--	813,458	--	813,458
Penalties	32,645	10,225	--	42,870
Rents and royalties	14,400	--	68,481	82,881
Licenses and permits	4,600	--	--	4,600
Insurance proceeds	27,348	--	--	27,348
Other revenue	8,857	1,700	6,033	16,590
Total Operating Revenues	<u>2,279,780</u>	<u>825,383</u>	<u>74,514</u>	<u>3,179,677</u>
OPERATING EXPENSES:				
Salaries and employee benefits	675,880	51	--	675,931
Contractual services	77,377	682,185	3,360	762,922
Utilities	152,774	--	9,900	162,674
Repairs and maintenance	105,791	--	7,295	113,086
Supplies and other expenses	82,088	--	6,926	89,014
Insurance	32,940	--	3,317	36,257
Depreciation	395,587	--	48,992	444,579
Total Operating Expenses	<u>1,522,437</u>	<u>682,236</u>	<u>79,790</u>	<u>2,284,463</u>
Operating Income (Loss)	<u>757,343</u>	<u>143,147</u>	<u>(5,276)</u>	<u>895,214</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest and investment revenue	16,972	555	564	18,091
Operating grants	--	--	11,000	11,000
Gain on disposition of assets	1,942	--	--	1,942
Interest expense	(270,846)	--	--	(270,846)
Debt issuance costs and fees	(16,202)	--	--	(16,202)
Total Non-operating Revenues (Expenses)	<u>(268,134)</u>	<u>555</u>	<u>11,564</u>	<u>(256,015)</u>
Income before Transfers	489,209	143,702	6,288	639,199
Capital grants	--	--	179,623	179,623
Transfers in	630,995	--	--	630,995
Transfers out	<u>(300,000)</u>	<u>(114,677)</u>	<u>--</u>	<u>(414,677)</u>
Change in Net Position	820,204	29,025	185,911	1,035,140
Total Net Position - Beginning	8,737,323	416,259	2,349,784	11,503,366
Prior Period Adjustment	(29,878)	--	--	(29,878)
Total Net Position - Ending	<u>\$ 9,527,649</u>	<u>\$ 445,284</u>	<u>\$ 2,535,695</u>	<u>\$ 12,508,628</u>

The accompanying notes are an integral part of this statement.

CITY OF GILMER, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Water & Sewer Fund	Sanitation Fund	Airport Fund	Totals
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 2,192,164	\$ 799,431	\$ 71,164	\$ 3,062,759
Insurance proceeds	27,348	--	--	27,348
Cash Payments to Employees for Services	(635,939)	(430)	--	(636,369)
Cash Payments to Other Suppliers for Goods and Services	(598,234)	(676,451)	(30,230)	(1,304,915)
Net Cash Provided by Operating Activities	<u>985,339</u>	<u>122,550</u>	<u>40,934</u>	<u>1,148,823</u>
Cash Flows from Non-capital Financing Activities:				
Operating Grants Received	--	--	11,000	11,000
Repayment of interfund due from other funds	577,455	--	--	577,455
Transfers From (To) Other Funds	171,852	(62,915)	--	108,937
Net Cash Provided (Used) by Non-capital Financing Activities	<u>749,307</u>	<u>(62,915)</u>	<u>11,000</u>	<u>697,392</u>
Cash Flows from Capital and Related Financing Activities:				
Principal and Interest Paid	(746,338)	--	--	(746,338)
Paying Agent Fees	(750)	--	--	(750)
Acquisition or Construction of Capital Assets	(774,494)	--	(26,502)	(800,996)
Proceeds from Sale of Capital Assets	1,942	--	--	1,942
Net Cash Used for Capital & Related Financing Activities	<u>(1,519,640)</u>	<u>--</u>	<u>(26,502)</u>	<u>(1,546,142)</u>
Cash Flows from Investing Activities:				
Interest and Dividends on Investments	13,934	555	564	15,053
Net Cash Provided by Investing Activities	<u>13,934</u>	<u>555</u>	<u>564</u>	<u>15,053</u>
Net Increase in Cash and Cash Equivalents	228,940	60,190	25,996	315,126
Cash and Cash Equivalents, October 1 (excluding \$117,727 for for the water & sewer fund reported as restricted amounts)	831,668	66,437	98,166	996,271
Cash and Cash Equivalents, September 30 (excluding \$121,586 for the water & sewer fund and \$250 for the airport fund reported as restricted amounts)	<u>\$ 1,060,608</u>	<u>\$ 126,627</u>	<u>\$ 124,162</u>	<u>\$ 1,311,397</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 757,516	\$ 142,974	\$ (5,276)	\$ 895,214
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	395,587	--	48,992	444,579
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	(60,268)	(25,952)	(3,350)	(89,570)
Decrease (Increase) in Prepaid Expenses	(5,162)	--	306	(4,856)
Increase (Decrease) in Accounts Payable	(142,102)	5,734	262	(136,106)
Increase (Decrease) in Accrued Wages Payable	(2,037)	--	--	(2,037)
Increase (Decrease) in Pension and OPEB Liabilities	41,805	(206)	--	41,599
Total Adjustments	<u>227,823</u>	<u>(20,424)</u>	<u>46,210</u>	<u>253,609</u>
Net Cash Provided by Operating Activities	<u>\$ 985,339</u>	<u>\$ 122,550</u>	<u>\$ 40,934</u>	<u>\$ 1,148,823</u>
Schedule of Non-Cash Capital and Related Financing Activities:				
Contributions of capital assets	\$ --	\$ --	\$ 179,623	\$ 179,623
Repayment of principal by other fund	125,351	--	--	125,351
Repayment of interest by other fund	33,791	--	--	33,791

The accompanying notes are an integral part of this statement.

CITY OF GILMER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

A. Summary of Significant Accounting Policies

The combined financial statements of City of Gilmer, Texas (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's "Codification of Governmental Accounting and Financial Reporting Standards", include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. The GASB Codification requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Based on these criteria, the following is a brief review of the component unit addressed in defining the government's reporting entity. Additionally, the City is not a component of any other reporting entity as defined by the GASB Codification.

Gilmer Economic Development Corporation is a nonprofit corporation organized in accordance with the Texas Development Corporation Act of 1979. It is a Type A Economic Development Corporation governed by Texas Local Government Code Chapters 501 and 504, and it is operated exclusively for the purpose of benefiting and accomplishing public purposes of the City of Gilmer. The City Council appoints the governing board of the EDC. The EDC is funded by a one-half cent sales tax which is received by the City from the State and is passed to the corporation. All sales tax revenues produced by the EDC are pledged to debt service on Sales Tax and Revenue Bonds. There are no separate financial statements issued. The Corporation's financial statements are blended with the City of Gilmer's Basic Financial Statements as a special revenue fund.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the

CITY OF GILMER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting those definitions are reported as nonoperating revenues and expenses.

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

The Economic Development Fund is a special revenue fund that accounts for the one-half cent sales tax collected for the Gilmer Economic Development Corporation, a component unit.

The Debt Service Fund accounts for 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 funds:

The Water and Sewer Fund is used to account for the sale of water and wastewater treatment by the City to businesses and residential customers and to surrounding communities.

The Sanitation Fund accounts for residential and commercial solid waste collections and disposal services for the City.

The Airport Fund accounts for the operation of the Gilmer-Upshur County Airport.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

CITY OF GILMER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

The City may assess penalties and interest. The assessment ratio of the City is 100% of market value. The assessed value for the roll of October 1, 2017, upon which the 2017 fiscal-year levy was based, was \$310,374,856. The tax assessment of October 1, 2017 sets a tax levy at \$.629523 per \$100 of assessed valuation at 100% of assumed market value. The 2018 fiscal year tax levy was \$1,924,996.

Taxes were due in January following the October 1 statement date. Tax collections during the fiscal year ended September 30, 2018, for the fiscal 2017 tax levy were 96.29% of the total tax levy for that year.

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The allowance for uncollectible taxes as September 30, 2018 is \$162,231.

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are value at their acquisition value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

not capitalized.

Assets capitalized have an original cost of \$5,000 or more and an estimated life in excess of one year. Depreciation has been computed on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives In Years</u>
Infrastructure	25 - 50
Buildings	10 - 60
Land improvements	60 - 100
Machinery and equipment	5 - 12
Heavy equipment	10 - 20
Vehicles	4 - 7
Computer equipment	3 - 5

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to or 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.

The fiduciary net position of the Texas Emergency Services Retirement System (TESRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TESRS's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

g. Other Postemployment Benefits

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the City's total OPEB Liability for the Texas Municipal Retirement System's Supplemental Death Benefits Fund has been determined based on the provisions of GASB Statement No. 75.

h. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary fund Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows

CITY OF GILMER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

i. Compensated Absences

Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay for it. Accumulated vacation leave of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

j. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

k. Estimates

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

l. Restricted Assets

Cash held for customer deposits in the Water and Sewer Fund and the Airport fund is reported as restricted.

m. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City's City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically accomplished by a formal action or resolution by the City Council. Committed fund balance amounts differ from restricted balances in that the constraints

CITY OF GILMER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

City Council has adopted a fund balance policy to maintain an unassigned fund balance in the general fund equivalent to not less than 2 months of annual operating expenditures. The City's fund balance for the general fund met this goal at September 30, 2018.

City Council has adopted a fund balance policy to maintain an unassigned fund balance (reserve) in the water and sewer fund equivalent to no less than \$500,000. The City's fund balance in the fund met this goal at September 30, 2018.

n. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is required.

o. Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

Budgets for the general fund, special revenue funds, and debt service fund are adopted on a basis consistent with the modified accrual basis of accounting. Unexpended budget appropriations lapse at year end and do not carry forward to future periods.

Budget controls are imposed at the department level and require Council approval for amendment.

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

5. New Accounting Standards Adopted

In fiscal year 2018, the City adopted the following statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"

This Statement requires governments providing postemployment benefits other than pensions (OPEB) to recognize their long-term obligation for other postemployment benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of other postemployment benefits. Other requirements are for the City to provide revised and new note disclosures and required supplementary information (RSI). The provisions of this Statement became effective for periods beginning after June 15, 2017.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

Cash Deposits:

At September 30, 2018, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,715,414 and the bank balance was \$4,762,968. The City's cash deposits at September 30, 2018 and during the year ended September 30, 2018, were not entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. Specifically, the Economic Development Corporation blended component unit had uninsured, uncollateralized deposits as follow.

- a. Depository: Gilmer National Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$0.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$453,501 and occurred during the month of September, 2018.

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

Investments:

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

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City did not adhere to the requirements of the Act, in that one investment report was not signed by investment officer. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investments at September 30, 2018 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of Deposit	Various, 12/16/18 - 8/20/20	\$ 1,871,031
Logic Investment Pool	Weighted avg. maturity, 27 days	678,514
Total Investments		<u>\$ 2,549,545</u>

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

At September 30, 2018, the City's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

<u>Investment</u>	<u>S & P Rating</u>
Local Government Investment Cooperative (LOGIC)	AAAm

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

CITY OF GILMER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

LOGIC

LOGIC is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256, of the Texas Government Code. The pool was created in April, 1994, through a contract among its participating governmental units, and is governed by a board of directors (the board) to provide for the joint investments of participant's public funds and funds under their control. LOGIC's policy seeks to invest pooled assets in a manner that will provide for safety of principal, liquidity in accordance with the operating requirements of the Participants, and a competitive rate of return by utilizing economies of scale and professional investment expertise. FirstSouthwest, A Division of Hilltop provides administrative, participant support, and marketing services. Hilltop Securities Inc. is a registered broker dealer, member of FINRA/SIPC, which provides financial advisory and investment banking services to governmental entities across the country. JPMorgan Chase Bank N.A. provides custodial services. LOGIC is rated AAAM by Standard & Poor's and is operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC seeks to maintain a stable net asset value of one dollar per unit.

CITY OF GILMER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

D. Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,672,151	\$ 19,720	\$ 34,160	\$ 1,657,711
Construction in progress	1,513,750	--	1,513,750	--
Total capital assets not being depreciated	<u>3,185,901</u>	<u>19,720</u>	<u>1,547,910</u>	<u>1,657,711</u>
Capital assets being depreciated:				
Infrastructure	10,375,692	339,178	--	10,714,870
Buildings and improvements	3,892,769	1,277,123	--	5,169,892
Machinery, furniture and equipment	2,659,037	86,102	103,177	2,641,962
Total capital assets being depreciated	<u>16,927,498</u>	<u>1,702,403</u>	<u>103,177</u>	<u>18,526,724</u>
Less accumulated depreciation for:				
Infrastructure	(4,027,553)	(516,674)	--	(4,544,227)
Buildings and improvements	(1,486,071)	(155,566)	--	(1,641,637)
Machinery, furniture and equipment	(1,805,757)	(161,773)	(103,177)	(1,864,353)
Total accumulated depreciation	<u>(7,319,381)</u>	<u>(834,013)</u>	<u>(103,177)</u>	<u>(8,050,217)</u>
Total capital assets being depreciated, net	<u>9,608,117</u>	<u>868,390</u>	<u>--</u>	<u>10,476,507</u>
Governmental activities capital assets, net	<u>\$ 12,794,018</u>	<u>\$ 888,110</u>	<u>\$ 1,547,910</u>	<u>\$ 12,134,218</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 4,525,163	\$ --	\$ --	\$ 4,525,163
Construction in progress	717,904	199,582	452,328	465,158
Total capital assets not being depreciated	<u>5,243,067</u>	<u>199,582</u>	<u>452,328</u>	<u>4,990,321</u>
Capital assets being depreciated:				
Land improvements	5,111,891	--	--	5,111,891
Infrastructure	14,242,667	1,183,911	12,129	15,414,449
Buildings and improvements	944,942	--	--	944,942
Machinery, furniture and equipment	812,771	49,455	--	862,226
Total capital assets being depreciated	<u>21,112,271</u>	<u>1,233,366</u>	<u>12,129</u>	<u>22,333,508</u>
Less accumulated depreciation for:				
Land improvements	(1,518,877)	(135,367)	--	(1,654,244)
Infrastructure	(6,269,321)	(171,164)	--	(6,440,485)
Buildings and improvements	(246,387)	(16,293)	--	(262,680)
Machinery, furniture and equipment	(611,030)	(121,754)	(12,129)	(720,655)
Total accumulated depreciation	<u>(8,645,615)</u>	<u>(444,578)</u>	<u>(12,129)</u>	<u>(9,078,064)</u>
Total capital assets being depreciated, net	<u>12,466,656</u>	<u>788,788</u>	<u>--</u>	<u>13,255,444</u>
Business-type activities capital assets, net	<u>\$ 17,709,723</u>	<u>\$ 988,370</u>	<u>\$ 452,328</u>	<u>\$ 18,245,765</u>

Certain beginning balances have been restated to properly report capital assets by category; there was no change in total capital assets or related accumulated depreciation as a result of these reclassifications.

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

Depreciation was charged to functions as follows:

Governmental Activities:	
Legislative	\$ 4,225
Municipal court	14,433
Executive/administration	44,244
Community development	27,673
Financial administration	31,791
Police	281,655
Fire protection	37,133
Highways and streets	269,594
Parks	2,565
Civic center	120,700
	<u>\$ 834,013</u>
Business-Type Activities:	
Water and sewer	395,586
Airport	48,992
	<u>\$ 444,578</u>

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2018, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Economic Development Fund	General Fund	\$ 40,189	Sales tax transfer receivable
Other Governmental Funds	General Fund	3,018	Hotel tax transfer receivable
	Total	<u>\$ 43,207</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2018, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Water & Sewer Fund	\$ 218,376	Fund capital projects
General Fund	Other Governmental Funds	105,838	Fund Civic Center operations
General Fund	Other Governmental Funds	20,273	Local match for grant project
Debt Service Fund	Water & Sewer Fund	412,619	Fund debt service requirements
Water & Sewer Fund	General Fund	300,000	In lieu of taxes
Sanitation Fund	General Fund	114,677	In lieu of taxes
Economic Development Fund	General Fund	100,010	Fund park projects
Economic Development Fund	General Fund	95,491	Administrative fee
	Total	<u>\$ 1,367,284</u>	

F. Long-Term Obligations

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

CITY OF GILMER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
<u>Obligations of the City:</u>					
Tax and revenue certificates of obligation	\$ 1,583,750	\$ --	\$ 129,649	\$ 1,454,101	137,275
Notes	56,500	--	4,802	51,698	5,030
Net pension liability	1,515,425	--	400,230	1,115,195	--
Total OPEB liability	112,397	18,692	--	131,089	--
Premium on issuance of debt	33,482	--	3,348	30,134	--
Compensated absences	91,312	5,609	8,204	88,717	2,802
Total obligations of the City	<u>3,392,866</u>	<u>18,692</u>	<u>540,624</u>	<u>2,870,934</u>	<u>145,107</u>
<u>Obligations of Economic Development Corp:</u>					
Sales tax revenue bonds	3,545,000	--	160,000	3,385,000	165,000
Discount on issuance of debt	(16,869)	--	(1,062)	(15,807)	--
Total obligations of EDC	<u>3,528,131</u>	<u>--</u>	<u>158,938</u>	<u>3,369,193</u>	<u>165,000</u>
Total governmental activities	<u>\$ 6,920,997</u>	<u>\$ 18,692</u>	<u>\$ 699,562</u>	<u>\$ 6,240,127</u>	<u>\$ 307,305</u>
<u>Business-type activities:</u>					
Refunding bonds	\$ 7,320,000	\$ --	\$ 505,000	\$ 6,815,000	510,000
Tax and revenue certificates of obligation	1,531,250	--	125,351	1,405,899	132,725
Net pension liability	326,004	--	41,592	284,412	--
Total OPEB liability	29,878	4,968	--	34,846	--
Premium on issuance of debt	239,528	--	21,594	217,934	--
Total business-type activities	<u>\$ 9,446,660</u>	<u>\$ 4,968</u>	<u>\$ 693,537</u>	<u>\$ 8,758,091</u>	<u>\$ 642,725</u>

Beginning balances of Total OPEB liability have been restated to properly report the implementation of GASB Statement No. 75. Additional information is reported in Note M.

The general fund normally liquidates 100% of the liability for compensated absences.

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2018, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 307,305	\$ 193,638	\$ 500,943
2020	327,724	182,342	510,066
2021	342,979	171,895	514,874
2022	350,699	160,916	511,615
2023	358,424	149,667	508,091
2024-2028	1,808,668	553,339	2,362,007
2029-2033	1,395,000	215,500	1,610,500
Totals	<u>\$ 4,890,799</u>	<u>\$ 1,627,297</u>	<u>\$ 6,518,096</u>

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2019	\$ 642,725	\$ 259,568	\$ 902,293
2020	652,472	243,636	896,108
2021	657,388	226,987	884,375
2022	669,845	210,139	879,984
2023	687,303	193,042	880,345
2024-2028	3,241,166	632,293	3,873,459
2029-2033	1,365,000	241,377	1,606,377
2034	305,000	12,963	317,963
Totals	\$ 8,220,899	\$ 2,020,005	\$ 10,240,904

The following is a list of General Obligation Bonds, Revenue Bonds and Notes Payable at September 30, 2018:

Governmental Activities:

Certificates of Obligation

2015 Combination Tax and Revenue Certificates of Obligation; principal plus interest varying from 2.0% to 3.0% due semi-annually through August 25, 2027. \$ 1,454,101

Notes Payable

Note payable to Gilmer National Bank; principal plus interest at 3.25%, due monthly through September 5, 2027. 51,698

Sales Tax and Revenue Bonds

(an obligation of Gilmer Economic Development Corporation, a blended component unit of the City of Gilmer)
 2011 Sales Tax and Revenue Bonds; principal plus interest varying from 4.0% to 5.0% due semi-annually through July 15, 2033. 3,385,000

Total Governmental Activities \$ 4,890,799

Business-Type Activities:

Refunding Bonds

2010 Waterworks and Sewer System Refunding Bonds; principal plus interest varying from 3.0% to 4.25% due semi-annually through July 1, 2034. \$ 3,705,000

2013 General Obligation Refunding Bonds Series 2013; principal plus interest varying from 2.0% to 3.0% due semi-annually through May 15, 2027. 3,110,000

Total Refunding Bonds 6,815,000

Tax and Revenue Certificates of Obligation

2015 Combination Tax and Revenue Certificates of Obligation; principal plus interest varying from 2.0% to 3.0% due semi-annually through August 15, 2027. 1,405,899

Total Certificates of Obligation 1,405,899

Total Business-Type Activities \$ 8,220,899

G. 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. During fiscal year 2018, the City obtained 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

CITY OF GILMER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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 of coverage 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.

H. Pension Plan

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

1. Plan Description

The City participates as one of 883 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.

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

2. Benefits Provided

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

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

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

Employee deposit rate	6.00%
Matching ratio (city to employee)	2:1
Updated service credit rate	100T
Annuity increase	70.00%
Vesting requirements	5 years
Service retirement eligibilities (express as age/years of service)	60/5; 0/20

Employees covered by benefit terms:

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	30
Active employees	49
Total covered employees	<u>113</u>

CITY OF GILMER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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 6.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.84% and 13.73% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$299,244, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 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 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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well the production of income, in order to satisfy the short-term and long-term funding need 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

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	30.0%	1.00%
Non-Core Fixed Income	10.0%	3.90%
Real Return	5.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	5.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

Discount Rate

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 9,119,299	\$ 7,308,164	\$ 1,811,135
Changes for the year			
Service cost	311,374	--	311,374
Interest	614,768	--	614,768
Change of benefit terms	--	--	--
Difference between expected and actual experience	58,777	--	58,777
Changes of assumptions	--	--	--
Contributions - employer	--	290,031	(290,031)
Contributions - employee	--	128,049	(128,049)
Net investment income	--	1,012,684	(1,012,684)
Benefit payments, including refunds of employee contributions	(334,623)	(334,623)	--
Administrative expense	--	(5,249)	5,249
Other changes	--	(266)	266
Net changes	650,296	1,090,626	(440,330)
Balance at 12/31/2017	\$ 9,769,595	\$ 8,398,790	\$ 1,370,805

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.

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
City's net pension liability	\$ 2,800,407	\$ 1,370,805	\$ 210,565

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the City recognized pension expense of \$239,581.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ --	\$ --
Changes in actuarial assumptions	5,289	--
Difference between projected and actual investment earnings	66,333	215,983
Contributions subsequent to the measurement date	223,141	--
Total	<u>\$ 294,763</u>	<u>\$ 215,983</u>

\$223,141 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement	
Year Ending Dec. 31:	
2018	\$ 33,681
2019	15,918
2020	(90,082)
2021	(103,878)
2022	--
Thereafter	--

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)

1. Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the "System") established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. The System issues a stand-alone financial report that is available to the public at www.tesrs.org.

Of the nine member State Board of Trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

investment, or pension administration. On August 31 of the following years, contributing fire and/or emergency service department members participating in TESRS were:

	<u>Contributing Departments</u>
2016	225
2017	235

Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

2. Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at a rate of 6.2% compounded annually. There is no provision for automatic post-retirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death and disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

3. Covered Membership

On August 31 of the following fiscal years, the pension system membership consisted of:

	<u>2016</u>	<u>2017</u>
Retirees and beneficiaries currently receiving benefits	3,167	3,104
Terminated members entitled to but not yet receiving benefits	2,200	2,208
Active participants	3,634	4,046

4. Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The State is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participating in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

5. Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ended August 31, 2017, total contributions of \$3,252,857 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The State appropriated \$1,583,825 for the fiscal year ended August 31, 2017.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed below.

The most recently completed biennial actuarial valuation as of August 31, 2016 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the State. The expected contributions from the State are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$725,000 each year to pay for part of the System's administrative expenses.

6. Net Pension Liability

The System's net pension liability was measured as of August 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017.

Total pension liability	\$ 129,121,466
Plan fiduciary net position	105,119,788
System's net pension liability	<u>\$ 24,001,678</u>

Plan fiduciary net position as a percentage of the total pension liability	81.40%
--	--------

Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

Mortality rates were based on the RP2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components 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 (currently 4.97%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.22% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
Equities		
Large cap domestic	32%	5.72%
Small cap domestic	10%	5.96%
Developed international	21%	6.21%
Emerging markets	6%	7.18%
Master limited partnership	5%	7.61%
Fixed income		
Domestic	21%	1.61%
International	5%	1.81%
Cash	--	--
Total	100%	
Weighted average		4.97%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2016 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments to current active and inactive members. 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.

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 7.75%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	<u>1% Decrease In Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
City's proportionate share of the net pension liability	\$ 53,785	\$ 28,802	\$ 13,041
System's net pension liability	44,821,241	24,001,678	10,867,631

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TESRS financial report. That report may be obtained on the internet at www.tesrs.org.

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

7. Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the City reported a liability of \$28,802 for its proportionate share of the TESRS's net pension liability.

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2016. The City's proportion of the net pension liability was based on the City's contributions to the pension plan relative to the contributions of all participating departments to the plan for the period September 1, 2016 through August 31, 2017.

For the year ended September 30, 2018, the City recognized pension expense of \$7,022.

At September 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 31	\$ --
Changes in actuarial assumptions	421	--
Difference between projected and actual investment earnings	2,685	--
Contributions subsequent to the measurement date	9,450	--
Total	<u>\$ 12,587</u>	<u>\$ --</u>

\$9,450 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending August 31:	
2018	\$ 1,355
2019	2,486
2020	(119)
2021	(585)
2022	--
Thereafter	--

AGGREGATION OF PENSION RELATED BALANCES

The following is an aggregation of pension related balances reflected in the financial statements:

	TMRS	TESRS	Total
Deferred outflow of resources related to pensions	\$ 294,763	\$ 12,587	\$ 307,350
Net pension liability	1,370,805	28,802	1,399,607
Deferred inflows of resources related to pensions	215,983	--	215,983
Pension expense/expenditures	239,581	7,022	246,603

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

I. Post Employment Benefits Other Than Pensions (OPEB)

1. Plan Description

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefit Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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 City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

2. Benefits Provided

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). The death benefit for retirees is considered an other post employment benefit (OPEB) and is a fixed amount of \$7,500.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	5
Active employees	49
Total	81

3. Contributions

The member 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.

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The retiree portion of contribution rates to the SDBF for the City were 0.06% and 0.07% in calendar years 2017 and 2018, respectively. The City's contributions to the SDBF for the year ended September 30, 2018 were \$1,454, and were equal to the required contributions.

4. Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

5. Actuarial Assumptions

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 10.5% including inflation
Discount rate	3.31%
Retiree's share of benefit-related costs	--

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the 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. Mortality rates for disabled retirees were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2017 valuation were developed primarily from an actuarial experience study of the four-year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal Actuarial Cost Method.

The discount rate used to measure the Total OPEB Liability was 3.31% and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

6. Changes in the Total OPEB Liability

Total OPEB liability - beginning of year	\$	142,275
Changes for the year:		
Service cost		5,762
Interest on total OPEB liability		5,499
Changes in assumptions or other inputs		12,713
Benefit payments		(314)
Net changes		<u>23,660</u>
Total OPEB liability -end of year	\$	<u>165,935</u>

7. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.31%) or 1% higher (4.31%) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
City's Total OPEB liability	\$ 198,355	\$ 165,935	\$ 140,451

8. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$13,535. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ --	\$ --
Change in assumptions and other inputs	10,439	--
Contributions made subsequent to measurement date	1,142	
Total	\$ 11,581	\$ --

The \$1,142 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2019. Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Year Ending December 31:	
2018	\$ 2,274
2019	2,274
2020	2,274
2021	2,274
2022	1,343
Thereafter	--
	\$ 10,439

J. Health Care Coverage

The City of Gilmer provides health and dental insurance benefits for its employees. The City contracts with the Texas Municipal League for health insurance. The City does not retain any risk of loss for health care benefits. The total cost to the City of Gilmer for the fiscal year ended September 30, 2018 was \$397,753. The cost of health and dental insurance benefits is recognized as an expenditure as it is paid. The general fund contributed \$309,649, the water and sewer fund contributed \$80,444, and other governmental funds contributed \$7,660.

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the City at September 30, 2018.

L. Deferred Compensation

Employees of the City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plan with Respect to Service for State and Local Governments). The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

An unrelated financial institution administers the deferred compensation plan. Under the terms of GASB Statement No. 32, an IRC Section 457 deferred compensation plan's deferred compensation and income attributable to the investment of deferred compensation amounts are held in trust, until paid or made available to the employees or beneficiaries and are the property of the employees and are not accessible by the City or its creditors.

The City does not perform the investing function or have significant administrative involvement in the handling of the plan.

M. Restatement of Net Position

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions" in FY18. The implementation resulted in a restatement of beginning net position in the government-wide financial statements and proprietary fund financial statements. The beginning total OPEB liability and deferred outflows and inflows related to OPEB were recorded and resulted in the adjustment below:

	Governmental Activities	Business-Type Activities
Net position, September 30, 2017	\$ 9,277,855	\$ 11,503,366
Beginning total OPEB liability and related deferred outflows and inflows	<u>(112,397)</u>	<u>(29,878)</u>
Restated net position as of September 30, 2017	<u>\$ 9,165,458</u>	<u>\$ 11,473,488</u>

N. Restricted Fund Balance and Net Position

As of September 30, 2018, fund balances restricted for other purposes were as follows:

General Fund	
Hotel-Motel tax	\$ 31,550
Court restricted funds	10,190
LEOSE	8,948
Wal-Mart grant for police department	3,361
Police Officers fund	273
Parks	166,619
	<u>\$ 220,941</u>
Other Governmental Funds	
Police Dept. Seizure Fund	\$ 9,168
Civic Center Fund	3,387
USDA Loan Program	124,123
	<u>\$ 136,678</u>

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

As of September 30, 2018, fund balance assigned for specific purposes was as follows:

General Fund	
Preservation of artifacts	\$ 50,000
Main Street	439
Fire department	19,927
Animal control	1,815
Police department	2,057
Park projects	1,780
Cemetery	2,025
Civic Center	100
Chamber Christmas decorations	471
	<u>\$ 78,614</u>

As of September 30, 2018, net position restricted for other purposes was as follows:

Governmental Activities	
Hotel-Motel tax	\$ 31,550
Court restricted funds	10,190
LEOSE	8,948
Wal-Mart grant for police department	3,361
Police Officers fund	273
Parks	166,619
Police Dept. Seizure Fund	9,168
Civic Center Fund	3,387
USDA Loan Program	124,123
	<u>\$ 357,619</u>

O. Subsequent Events

Management has evaluated subsequent events through April 10, 2019, the date on which the financial statements were available to be issued.

This page is left blank intentionally.

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.

CITY OF GILMER, TEXAS
 SCHEDULE OF THE CITY'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	Measurement Period									
City's proportion of the net pension liability (asset)	0.120%	0.104%	0.120%	0.099%	--	--	--	--	--	--
City's proportionate share of the net pension liability (asset)	\$ 28,802	\$ 30,293	\$ 32,031	\$ 17,990	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the City	43,203	46,299	49,024	27,172	--	--	--	--	--	--
Total	<u>\$ 72,005</u>	<u>\$ 76,592</u>	<u>\$ 81,055</u>	<u>\$ 45,162</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered payroll	N/A	N/A	N/A	N/A	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	81.40%	76.30%	76.90%	83.50%	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

CITY OF GILMER, TEXAS
 SCHEDULE OF CITY CONTRIBUTIONS
 TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 7,585	\$ 7,244	\$ 6,572	\$ 8,408	--	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(7,585)	(7,244)	(6,572)	(8,408)	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
City's covered payroll	N/A	N/A	N/A	N/A	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

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

	Measurement Period									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total pension liability:										
Service cost	\$ 311,374	\$ 312,601	\$ 279,905	\$ 251,495	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Interest	614,768	572,622	556,162	536,347	--	--	--	--	--	--
Changes of benefit terms	--	--	--	--	--	--	--	--	--	--
Differences between expected and actual experience	58,777	52,439	(18,474)	(159,024)	--	--	--	--	--	--
Changes of assumptions	--	--	26,163	--	--	--	--	--	--	--
Benefit payments, including refunds of employee contributions	(334,623)	(290,697)	(353,280)	(366,623)	--	--	--	--	--	--
Net change in total pension liability	650,296	646,965	490,476	262,195	--	--	--	--	--	--
Total pension liability - beginning	9,119,299	8,472,334	7,981,858	7,719,663	--	--	--	--	--	--
Total pension liability - ending (a)	\$ 9,769,595	\$ 9,119,299	\$ 8,472,334	\$ 7,981,858	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Plan fiduciary net position:										
Contributions - employer	\$ 290,031	\$ 274,402	\$ 273,687	\$ 254,283	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions - employee	128,049	127,332	120,303	116,111	--	--	--	--	--	--
Net investment income	1,012,684	456,045	9,890	362,730	--	--	--	--	--	--
Benefit payments, including refunds of employee contributions	(334,623)	(290,697)	(353,280)	(366,623)	--	--	--	--	--	--
Administrative expense	(5,249)	(5,149)	(6,024)	(3,787)	--	--	--	--	--	--
Other	(266)	(277)	(298)	(311)	--	--	--	--	--	--
Net change in plan fiduciary net position	1,090,626	561,656	44,278	362,403	--	--	--	--	--	--
Plan fiduciary net position - beginning	7,308,164	6,746,508	6,702,228	6,339,825	--	--	--	--	--	--
Plan fiduciary net position - ending (b)	\$ 8,398,790	\$ 7,308,164	\$ 6,746,506	\$ 6,702,228	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
City's net pension liability - ending (a) - (b)	\$ 1,370,805	\$ 1,811,135	\$ 1,725,828	\$ 1,279,630	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Plan fiduciary net position as a percentage of the total pension liability	85.97%	80.14%	79.63%	83.97%	--	--	--	--	--	--
Covered payroll	\$ 2,134,157	\$ 2,122,206	\$ 2,005,048	\$ 1,935,190	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
City's net pension liability as a percentage of covered payroll	64.23%	85.34%	86.07%	66.12%	--	--	--	--	--	--

Notes to Schedule:

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

CITY OF GILMER, TEXAS
 SCHEDULE OF CITY CONTRIBUTIONS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 299,244	\$ 290,855	\$ 282,331	\$ 270,386	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the actuarially determined contribution	(299,244)	(290,855)	(282,331)	(270,386)	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Covered payroll	\$ 2,151,563	\$ 2,197,347	\$ 2,104,321	\$ 2,002,551	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	13.91%	13.24%	13.42%	13.50%	--	--	--	--	--	--

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-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 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

CITY OF GILMER, TEXAS
 SCHEDULE OF CITY CONTRIBUTIONS
 SUPPLEMENTAL DEATH BENEFITS FUND ADMINISTERED BY TEXAS MUNICIPAL RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 1,454	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the actuarially determined contribution	(1,454)	--	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Covered payroll	\$ 2,151,563	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	0.07%	--	--	--	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

CITY OF GILMER, TEXAS
 SCHEDULE OF CHANGES IN THE CITY'S
 TOTAL OPEB LIABILITY AND RELATED RATIOS
 SUPPLEMENTAL DEATH BENEFITS FUND ADMINISTERED BY TEXAS MUNICIPAL RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Measurement Period									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total OPEB liability:										
Service cost	\$ 5,762	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Interest	5,499	--	--	--	--	--	--	--	--	--
Changes of benefit terms	--	--	--	--	--	--	--	--	--	--
Differences between expected and actual experience	--	--	--	--	--	--	--	--	--	--
Changes of assumptions or other inputs	12,713	--	--	--	--	--	--	--	--	--
Benefit payments	(314)	--	--	--	--	--	--	--	--	--
Net change in total OPEB liability	23,660	--	--	--	--	--	--	--	--	--
Total OPEB liability - beginning	142,275	--	--	--	--	--	--	--	--	--
Total OPEB liability - ending	<u>\$ 165,935</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Covered payroll	\$ 2,134,157	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Total OPEB liability as a percentage of covered payroll	7.78%	--	--	--	--	--	--	--	--	--

Notes to Schedule:

The TMRS Supplemental Death Benefit Fund (SDBF) is considered to be an unfunded OPEB plan; therefore, no plan fiduciary net position and related ratios are reported in the above schedule.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

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 GILMER, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2018

	Special Revenue Funds	Capital Projects Fund Street Improvement Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS AND OTHER DEBITS:			
Cash	\$ 126,859	\$ 28	\$ 126,887
Receivables:			
Due from other funds	3,018	--	3,018
Notes receivable	18,363	--	18,363
Other receivable	--	300	300
TOTAL ASSETS	<u>\$ 148,240</u>	<u>\$ 328</u>	<u>\$ 148,568</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE:			
LIABILITIES:			
Accounts payable	\$ 2,002	\$ --	\$ 2,002
Other liabilities	8,400	--	8,400
Accrued wages	964	--	964
Accrual for compensated absences	196	--	196
TOTAL LIABILITIES	<u>11,562</u>	<u>--</u>	<u>11,562</u>
FUND BALANCE:			
Restricted for construction	--	328	328
Restricted for other purposes	136,678	--	136,678
TOTAL FUND BALANCE	<u>136,678</u>	<u>328</u>	<u>137,006</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 148,240</u>	<u>\$ 328</u>	<u>\$ 148,568</u>

CITY OF GILMER, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds	Capital Projects Fund Street Improvement Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
REVENUES:			
Investment income	\$ 946	\$ --	\$ 946
Rents and royalties	30,826	--	30,826
Donations	17,057	--	17,057
Grant revenue	--	41,880	41,880
Other revenue	10,905	--	10,905
TOTAL REVENUES	<u>59,734</u>	<u>41,880</u>	<u>101,614</u>
EXPENDITURES:			
Police	1,120	--	1,120
Civic center	158,336	--	158,336
Highways and streets	--	61,825	61,825
Debt service -principal	4,802	--	4,802
-interest	1,831	--	1,831
TOTAL EXPENDITURES	<u>166,089</u>	<u>61,825</u>	<u>227,914</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(106,355)</u>	<u>(19,945)</u>	<u>(126,300)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	105,838	20,273	126,111
TOTAL OTHER FINANCING SOURCES (USES)	<u>105,838</u>	<u>20,273</u>	<u>126,111</u>
NET CHANGE IN FUND BALANCES	(517)	328	(189)
FUND BALANCE - BEGINNING	137,195	--	137,195
FUND BALANCE - ENDING	<u>\$ 136,678</u>	<u>\$ 328</u>	<u>\$ 137,006</u>

CITY OF GILMER, TEXAS

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2018

	PD Seizure Fund	Civic Center Fund	USDA Revolving Loan	Total Nonmajor Special Revenue Funds (See Exhibit B-1)
ASSETS AND OTHER DEBITS:				
Cash	\$ 9,168	\$ 11,931	\$ 105,760	\$ 126,859
Receivables:				
Due from other funds	--	3,018	--	3,018
Notes receivable	--	--	18,363	18,363
TOTAL ASSETS	<u>\$ 9,168</u>	<u>\$ 14,949</u>	<u>\$ 124,123</u>	<u>\$ 148,240</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	\$ --	\$ 2,002	\$ --	\$ 2,002
Other liabilities	--	8,400	--	8,400
Accrued wages	--	964	--	964
Accrual for compensated absences	--	196	--	196
TOTAL LIABILITIES	<u>--</u>	<u>11,562</u>	<u>--</u>	<u>11,562</u>
FUND BALANCE:				
Restricted for other purposes	9,168	3,387	124,123	136,678
TOTAL FUND BALANCE	<u>9,168</u>	<u>3,387</u>	<u>124,123</u>	<u>136,678</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 9,168</u>	<u>\$ 14,949</u>	<u>\$ 124,123</u>	<u>\$ 148,240</u>

CITY OF GILMER, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	PD Seizure Fund	Civic Center Fund	USDA Revolving Loan	Total Nonmajor Special Revenue Funds (See Exhibit B-2)
REVENUES:				
Investment income	\$ 15	\$ 19	\$ 912	\$ 946
Rents and royalties	--	28,326	2,500	30,826
Donations	--	17,057	--	17,057
Other revenue	--	10,905	--	10,905
TOTAL REVENUES	<u>15</u>	<u>56,307</u>	<u>3,412</u>	<u>59,734</u>
EXPENDITURES:				
Police	1,120	--	--	1,120
Civic center	--	158,336	--	158,336
Debt service -principal	--	4,802	--	4,802
-interest	--	1,831	--	1,831
TOTAL EXPENDITURES	<u>1,120</u>	<u>164,969</u>	<u>--</u>	<u>166,089</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,105)</u>	<u>(108,662)</u>	<u>3,412</u>	<u>(106,355)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	--	105,838	--	105,838
TOTAL OTHER FINANCING SOURCES (USES)	<u>--</u>	<u>105,838</u>	<u>--</u>	<u>105,838</u>
NET CHANGE IN FUND BALANCES	<u>(1,105)</u>	<u>(2,824)</u>	<u>3,412</u>	<u>(517)</u>
FUND BALANCE - BEGINNING	10,273	6,211	120,711	137,195
FUND BALANCE - ENDING	<u>\$ 9,168</u>	<u>\$ 3,387</u>	<u>\$ 124,123</u>	<u>\$ 136,678</u>

CITY OF GILMER, TEXAS
 CIVIC CENTER FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT B-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ --	\$ --	\$ 19	\$ 19
Rents and royalties	40,000	40,000	28,326	(11,674)
Donations	--	--	17,057	17,057
Other revenue	4,675	4,675	10,905	6,230
TOTAL REVENUES	<u>44,675</u>	<u>44,675</u>	<u>56,307</u>	<u>11,632</u>
EXPENDITURES:				
Civic center	141,923	141,923	158,336	(16,413)
Debt service -principal	4,802	4,802	4,802	--
-interest	1,831	1,831	1,831	--
TOTAL EXPENDITURES	<u>148,556</u>	<u>148,556</u>	<u>164,969</u>	<u>(16,413)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(103,881)</u>	<u>(103,881)</u>	<u>(108,662)</u>	<u>(4,781)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	103,881	103,881	105,838	1,957
TOTAL OTHER FINANCING SOURCES (USES)	<u>103,881</u>	<u>103,881</u>	<u>105,838</u>	<u>1,957</u>
NET CHANGE IN FUND BALANCES	--	--	(2,824)	(2,824)
FUND BALANCE - BEGINNING	6,211	6,211	6,211	--
FUND BALANCE - ENDING	<u>\$ 6,211</u>	<u>\$ 6,211</u>	<u>\$ 3,387</u>	<u>\$ (2,824)</u>

CITY OF GILMER, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT B-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 579,467	\$ 579,467	\$ 571,524	\$ (7,943)
Investment income	--	--	400	400
TOTAL REVENUES	<u>579,467</u>	<u>579,467</u>	<u>571,924</u>	<u>(7,543)</u>
EXPENDITURES:				
Debt service -principal	255,000	255,000	129,649	125,351
-interest	68,740	68,740	34,949	33,791
-fees	3,000	3,000	800	2,200
TOTAL EXPENDITURES	<u>326,740</u>	<u>326,740</u>	<u>165,398</u>	<u>161,342</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>252,727</u>	<u>252,727</u>	<u>406,526</u>	<u>153,799</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	169,173	169,173	--	(169,173)
Transfers out	(421,900)	(421,900)	(412,619)	9,281
TOTAL OTHER FINANCING SOURCES (USES)	<u>(252,727)</u>	<u>(252,727)</u>	<u>(412,619)</u>	<u>(159,892)</u>
NET CHANGE IN FUND BALANCES	--	--	(6,093)	(6,093)
FUND BALANCE - BEGINNING	29,870	29,870	29,870	--
FUND BALANCE - ENDING	<u>\$ 29,870</u>	<u>\$ 29,870</u>	<u>\$ 23,777</u>	<u>\$ (6,093)</u>

CITY OF GILMER, TEXAS
STREET IMPROVEMENT FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT B-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Grant revenue	\$ 177,343	\$ 177,343	\$ 41,880	\$ (135,463)
TOTAL REVENUES	<u>177,343</u>	<u>177,343</u>	<u>41,880</u>	<u>(135,463)</u>
EXPENDITURES:				
Highways and streets	200,630	200,630	61,825	138,805
TOTAL EXPENDITURES	<u>200,630</u>	<u>200,630</u>	<u>61,825</u>	<u>138,805</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(23,287)</u>	<u>(23,287)</u>	<u>(19,945)</u>	<u>3,342</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	22,147	22,147	20,273	(1,874)
TOTAL OTHER FINANCING SOURCES (USES)	<u>22,147</u>	<u>22,147</u>	<u>20,273</u>	<u>(1,874)</u>
NET CHANGE IN FUND BALANCES	(1,140)	(1,140)	328	1,468
FUND BALANCE - BEGINNING	--	--	--	--
FUND BALANCE - ENDING	<u>\$ (1,140)</u>	<u>\$ (1,140)</u>	<u>\$ 328</u>	<u>\$ 1,468</u>

This page is left blank intentionally.

STATISTICAL SECTION

Unaudited

STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
-----------------	-------------

Financial Trends	81
------------------	----

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity	88
------------------	----

These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.

Debt Capacity	92
---------------	----

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information	97
--------------------------------------	----

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information	99
-----------------------	----

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

This page is left blank intentionally.

City of Gilmer, Texas
NET POSITION BY COMPONENT
 Last Ten Fiscal Years (Unaudited)
 (accrual basis of accounting)

Table 1

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Net investment in capital assets	\$ 7,358,654	\$ 7,955,663	\$ 6,702,490	\$ 6,712,916	\$ 6,727,154	\$ 6,765,110	\$ 6,959,543	\$ 6,682,221	\$ 6,209,038	\$ 6,239,334
Restricted	1,563,527	1,465,125	1,501,965	2,551,895	700,632	701,565	814,308	788,636	1,479,126	1,538,150
Unrestricted (Deficit)	357,574	(142,932)	(576,036)	(1,492,960)	817,238	685,175	405,375	459,967	276,381	271,470
Total governmental activities net position	\$ 9,279,755	\$ 9,277,856	\$ 7,628,419	\$ 7,771,851	\$ 8,245,024	\$ 8,151,850	\$ 8,179,226	\$ 7,930,824	\$ 7,964,545	\$ 8,048,954
Business-type activities										
Net investment in capital assets	\$ 10,209,670	\$ 9,636,185	\$ 5,907,504	\$ 9,885,063	\$ 8,891,967	\$ 7,961,192	\$ 8,295,496	\$ 7,011,535	\$ 6,187,244	\$ 5,714,290
Restricted	110,099	109,835	109,518	108,512	107,964	107,149	112,609	131,046	281,069	278,461
Unrestricted	2,188,859	1,757,345	5,397,271	1,067,991	2,365,593	2,879,126	1,992,501	2,496,716	2,144,119	1,847,608
Total business-type activities net position	\$ 12,508,628	\$ 11,503,365	\$ 11,414,293	\$ 11,061,566	\$ 11,365,524	\$ 10,947,467	\$ 10,400,606	\$ 9,639,297	\$ 8,612,432	\$ 7,840,359
Primary government										
Net investment in capital assets	\$ 17,568,324	\$ 17,591,848	\$ 12,609,994	\$ 16,597,979	\$ 15,619,121	\$ 14,726,302	\$ 15,255,039	\$ 13,693,756	\$ 12,396,282	\$ 11,953,624
Restricted	1,673,626	1,574,960	1,611,483	2,660,407	808,596	808,714	926,917	919,682	1,760,195	1,816,611
Unrestricted	2,546,433	1,614,413	4,821,235	(424,969)	3,182,831	3,564,301	2,397,876	2,956,683	2,420,500	2,119,078
Total primary government net position	\$ 21,788,383	\$ 20,781,221	\$ 19,042,712	\$ 18,833,417	\$ 19,610,548	\$ 19,099,317	\$ 18,579,832	\$ 17,570,121	\$ 16,576,977	\$ 15,889,313

City of Gilmer, Texas
CHANGES IN NET POSITION
Last Ten Fiscal Years (Unaudited)
 (accrual basis of accounting)

Table 2

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities:										
General government	\$ 848,024	\$ 968,971	\$ 947,749	\$ 1,028,761	\$ 977,054	\$ 839,734	\$ 793,623	\$ 758,296	\$ 1,392,108	\$ 1,164,360
Civic Center	262,703	191,787	185,372	169,737	174,461	161,387	173,044	173,421	129,246	151,521
Community services	174,063	167,866	180,719	191,749	522,829	158,730	146,795	110,525	135,569	153,492
Public safety	2,316,510	2,238,950	2,150,448	2,067,871	2,022,473	1,872,936	1,778,069	1,673,043	1,262,549	1,347,544
Public works	621,519	571,870	899,680	459,204	349,254	343,217	397,148	701,379	876,823	396,172
Interest and fiscal agent fees	201,809	211,190	210,818	237,449	199,727	205,170	221,642	109,510	30,600	41,270
Total governmental activities expenses	4,424,628	4,350,634	4,574,786	4,154,771	4,245,798	3,581,174	3,510,321	3,526,174	3,826,895	3,254,359
Business-type activities:										
Water and Sewer fund	1,809,312	1,745,905	1,754,049	1,703,410	1,591,831	1,567,952	1,595,551	1,962,609	2,072,692	2,121,653
Sanitation fund	682,409	669,563	644,852	652,295	632,674	641,935	632,599	601,115	628,866	662,912
Airport fund	79,790	88,715	72,915	69,340	66,338	73,633	70,427	88,758	69,313	93,645
Total business-type activities expenses	2,571,511	2,504,183	2,471,816	2,425,045	2,290,843	2,283,520	2,298,577	2,652,482	2,770,871	2,878,210
Total primary government expenses	\$ 6,996,139	\$ 6,854,817	\$ 7,046,602	\$ 6,579,816	\$ 6,536,641	\$ 5,864,694	\$ 5,808,898	\$ 6,178,656	\$ 6,597,766	\$ 6,132,569
Program Revenues										
Governmental activities:										
Charges for services:	\$ 403,071	\$ 421,763	\$ 386,407	\$ 400,584	\$ 292,131	\$ 356,838	\$ 371,881	\$ 306,720	\$ 370,874	\$ 337,357
Operating grants and contributions	7,627	1,686	1,831	-	12,486	5,000	101,426	239,066	447,839	71,502
Capital grants and contributions	58,937	1,468,902	100,000	29,000	353,777	-	-	-	-	10,350
Total governmental activities program revenues	469,635	1,892,351	488,238	429,584	658,394	361,838	473,307	545,786	818,713	419,209
Business-type activities:										
Charges for services:	3,179,677	3,018,087	2,840,434	2,772,382	2,837,372	3,038,290	2,960,930	3,093,312	2,973,038	2,860,169
Operating grants and contributions	11,000	8,563	-	6,420	6,146	12,620	9,018	4,056	4,776	-
Capital grants and contributions	179,623	214,573	600,503	141,668	-	-	-	90,380	-	313,464
Total business-type activities program revenues	3,370,300	3,241,223	3,440,937	2,920,470	2,843,518	3,050,910	2,969,948	3,187,748	2,977,814	3,173,633
Total primary government program revenues	\$ 3,839,935	\$ 5,133,574	\$ 3,929,175	\$ 3,350,054	\$ 3,501,912	\$ 3,412,748	\$ 3,443,255	\$ 3,733,534	\$ 3,796,527	\$ 3,592,842

City of Gilmer, Texas

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net (Expenses) Revenue										
Governmental activities	\$ (3,954,993)	\$ (2,458,283)	\$ (4,086,548)	\$ (3,725,187)	\$ (3,587,404)	\$ (3,219,336)	\$ (3,037,014)	\$ (2,980,388)	\$ (3,008,182)	\$ (2,835,150)
Business-type activities	798,789	737,040	969,121	495,425	552,675	767,390	671,371	535,266	206,943	295,423
Total primary government net expense	\$ (3,156,204)	\$ (1,721,243)	\$ (3,117,427)	\$ (3,229,762)	\$ (3,034,729)	\$ (2,451,946)	\$ (2,365,643)	\$ (2,445,122)	\$ (2,801,239)	\$ (2,539,727)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 1,908,068	\$ 1,814,689	\$ 1,786,542	\$ 1,703,337	\$ 1,696,137	\$ 1,652,901	\$ 1,602,367	\$ 1,645,700	\$ 1,655,844	\$ 1,558,744
Sales taxes	1,767,272	1,649,954	1,602,074	1,502,969	1,372,365	1,408,116	1,345,814	1,318,473	1,248,586	1,275,760
Franchise taxes	332,181	319,980	318,245	338,410	340,188	231,683	213,583	218,720	226,266	221,352
Other taxes	54,268	56,213	61,625	56,214	54,966	49,427	37,161	58,680	70,874	56,079
Penalty & Interest	14,469	21,520	24,188	14,182	14,394	19,160	36,067	22,115	21,426	13,584
Miscellaneous Revenue	89,365	72,395	62,740	68,479	46,771	62,004	69,987	165,979	206,485	215,075
Investment earnings	23,815	17,858	23,074	18,048	8,978	6,995	7,791	12,339	15,600	30,262
Gain/(Loss) on Disposition of Assets	96,170	80,277	-	(46,375)	-	-	51,675	3,339	19,444	2,530
Transfers	(216,318)	74,834	64,628	618,157	146,779	(56,808)	(79,029)	(498,678)	(540,752)	(260,563)
Total governmental activities	4,069,290	4,107,720	3,943,116	4,273,421	3,680,578	3,373,478	3,285,416	2,946,667	2,923,773	3,112,823
Business-type activities:										
Investment earnings	18,091	13,273	11,719	12,146	12,161	13,285	12,838	17,646	24,377	42,983
Gain/(Loss) on Disposition of Assets	1,942	56,231	(563,485)	-	-	(129,566)	(1,929)	(24,725)	-	(30,470)
Transfers	216,318	(74,834)	(64,628)	(618,157)	(146,779)	56,808	79,029	498,678	540,753	260,563
Total business-type activities	236,351	(5,330)	(616,394)	(606,011)	(134,618)	(59,473)	89,938	491,599	565,130	273,076
Total primary government	\$ 4,305,641	\$ 4,102,390	\$ 3,326,722	\$ 3,667,410	\$ 3,545,960	\$ 3,314,005	\$ 3,375,354	\$ 3,438,266	\$ 3,488,903	\$ 3,385,899
Special Items										
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (337)
Business-type activities	-	-	-	-	-	-	-	-	-	-
Total Special Items	-	-	-	-	-	-	-	-	-	(337)
Change in Net Position										
Governmental activities	\$ 114,297	\$ 1,649,437	\$ (143,432)	\$ 548,234	\$ 93,174	\$ 154,142	\$ 248,402	\$ (33,721)	\$ (84,409)	\$ 277,336
Business-type activities	1,035,140	731,710	352,727	(110,586)	418,057	707,917	761,309	1,026,865	772,073	568,499
Total primary government	\$ 1,149,437	\$ 2,381,147	\$ 209,295	\$ 437,648	\$ 511,231	\$ 862,059	\$ 1,009,711	\$ 993,144	\$ 687,664	\$ 845,835

City of Gilmer, Texas

Table 3

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Nonspendable	\$ -	\$ 9,929	\$ 7,362	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	320,368	388,551	585,414	1,820,752	47,258	46,481	32,317	28,431	103,108	113,419
Assigned	78,614	173,460	67,930	64,694	64,620	18,872	-	-	-	-
Unassigned	1,434,605	990,025	801,510	1,106,046	648,288	567,541	308,761	164,333	162,024	162,079
Total general fund	<u>\$ 1,833,587</u>	<u>\$ 1,561,965</u>	<u>\$ 1,462,216</u>	<u>\$ 2,991,492</u>	<u>\$ 760,166</u>	<u>\$ 632,894</u>	<u>\$ 341,078</u>	<u>\$ 192,764</u>	<u>\$ 265,132</u>	<u>\$ 275,498</u>
All Other Governmental Funds										
Restricted for Debt Service	\$ 1,144,113	\$ 974,592	\$ 832,189	\$ 679,504	\$ 582,458	\$ 595,472	\$ 693,561	\$ 632,184	\$ 1,260,949	\$ 1,209,790
Restricted for Other Purposes	137,006	137,196	125,694	114,776	120,583	110,069	141,538	128,021	115,068	214,941
Total all other governmental funds	<u>\$ 1,281,119</u>	<u>\$ 1,111,788</u>	<u>\$ 957,883</u>	<u>\$ 794,280</u>	<u>\$ 703,041</u>	<u>\$ 705,541</u>	<u>\$ 835,099</u>	<u>\$ 760,205</u>	<u>\$ 1,376,017</u>	<u>\$ 1,424,731</u>

Notes: The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2012.

This page is left blank intentionally.

City of Gilmer, Texas

Table 4

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Property Taxes	\$ 1,887,755	\$ 1,814,372	\$ 1,804,492	\$ 1,695,959	\$ 1,683,175	\$ 1,645,846	\$ 1,651,562	\$ 1,637,736	\$ 1,661,524	\$ 1,601,019
Penalty & Interest	14,981	21,520	24,188	14,182	14,394	19,160	36,067	22,115	21,426	13,584
Sales Tax	1,767,272	1,649,954	1,602,074	1,502,969	1,372,365	1,408,116	1,345,814	1,318,473	1,248,586	1,275,760
Franchise Taxes	332,181	319,980	318,246	338,410	340,188	231,683	213,583	218,720	226,266	221,352
Other Taxes	53,756	56,213	61,625	56,214	54,966	49,427	37,161	58,680	70,874	56,079
Fines and forfeitures	206,197	216,953	235,210	259,838	168,331	214,033	229,623	275,278	230,855	208,663
Licenses, permits, and fees	36,667	23,784	26,856	24,633	37,441	28,525	32,964	31,078	12,265	42,377
Intergovt. Revenue & Grants	126,000	122,954	73,540	60,809	59,684	69,089	167,497	310,058	634,458	242,479
Investment earnings	23,815	17,858	23,075	18,048	8,977	6,995	7,791	12,339	15,600	30,262
Rents & Royalties	35,481	38,800	45,948	50,184	42,699	46,400	38,432	39,906	46,199	45,886
Grant Revenue	17,057	234,792	101,831	29,000	366,264	-	-	-	-	-
Donations	49,507	1,235,796	-	-	1,000	100	1,600	1,185	13,080	9,473
Other revenue	64,991	87,113	62,740	83,547	49,637	61,904	68,388	51,646	76,007	78,685
Total Revenues	4,615,660	5,840,089	4,379,825	4,133,793	4,199,121	3,781,278	3,830,482	3,977,214	4,257,140	3,825,619
Expenditures										
Current:										
Legislative	21,864	30,005	26,940	29,248	28,600	26,894	24,678	15,842	15,848	14,583
Municipal Court	86,393	84,075	86,969	92,867	79,690	78,617	78,069	69,672	55,459	55,818
Executive/Administration	268,506	316,674	392,383	479,442	339,967	274,791	260,619	253,581	184,678	162,372
Community Services	147,105	140,512	166,289	181,424	494,391	163,407	136,029	106,224	126,207	143,263
Financial Administration	164,495	163,758	156,835	170,028	177,622	160,009	145,057	141,462	114,663	96,789
Police Department	1,466,656	1,340,591	1,350,877	1,484,964	1,316,445	1,222,123	1,272,561	1,169,954	905,311	913,098
Fire Department	625,501	638,413	692,493	544,512	530,265	523,595	476,032	665,384	419,969	394,876
Street Department	324,297	823,721	2,116,784	364,801	420,315	275,493	374,562	580,025	756,807	279,716
Parks & Lake	87,248	138,559	500	-	-	-	-	-	-	-
Civic Center	158,336	1,431,960	137,523	148,204	118,228	126,637	111,216	138,211	72,438	88,018
Non-Departmental	238,161	246,708	193,396	291,158	256,150	248,873	241,875	5,057,536	994,693	836,717
Debt Service:										
Principal retirement	294,451	277,022	254,228	270,000	260,000	255,000	245,000	240,000	122,000	484,120
Interest and fiscal changes	204,155	212,185	232,334	187,825	199,454	204,200	211,740	75,228	32,221	52,111
Bond/Agent Fees	1,550	3,050	2,575	35,592	-	2,573	2,481	195,395	-	-
Total Expenditures	4,088,718	5,847,233	5,810,126	4,279,565	4,221,127	3,562,212	3,579,919	8,708,514	3,800,294	3,521,481

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Excess of Revenues Over (Under) Expenditures	526,942	(7,144)	(1,430,301)	(145,772)	(22,006)	219,066	250,563	(4,731,300)	456,846	304,138
Other financing sources (uses)										
Sale of Assets	130,330	129,462	-	-	-	-	51,675	3,339	24,827	2,530
Loan Proceeds	-	56,500	-	-	-	-	-	-	-	-
Transfers in	736,289	795,188	775,438	1,436,104	761,102	635,358	516,306	507,045	211,161	1,015,149
Transfers out	(952,607)	(720,354)	(710,809)	(817,946)	(614,323)	(692,166)	(595,336)	(1,005,723)	(751,914)	(1,275,712)
Debt issuance	-	-	-	1,810,000	-	-	-	4,545,000	-	-
Premium/Discount on debt issuance	-	-	-	40,179	-	-	-	(23,732)	-	-
Accrued Interest on Bonds Issued	-	-	-	-	-	-	-	17,191	-	-
Total Other Financing Sources (Uses)	(85,988)	260,796	64,629	2,468,337	146,779	(56,808)	(27,355)	4,043,120	(515,926)	(258,033)
Special Item	-	-	-	-	-	-	-	-	-	(337)
Net change in fund balances	\$ 440,954	\$ 253,652	\$ (1,365,672)	\$ 2,322,565	\$ 124,773	\$ 162,258	\$ 223,208	\$ (688,180)	\$ (59,080)	\$ 45,768
Debt service as percentage of noncapital expenditures	14.7%	14.7%	8.4%	11.5%	10.9%	13.0%	12.8%	5.9%	4.1%	15.2%

City of Gilmer, Texas

Table 5

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended Sept 30	Real Property		Personal Property			Mineral Lease	Less Exemptions, Prod. Loss & Homestead Cap	Total Assessed Value	Tax Rate	Estimated Tax Value	Ratio of Total Assessed Value to Total Est. Actual Value
	Residential Assessed Value	Commercial Assessed Value	Industrial	Commercial	Industrial						
2009	150,576,269	63,455,811	6,318,620	23,856,422	13,666,786	1,524,160	2,540,740	96,818,395	0.636000	261,938,808	100.0%
2010	145,284,316	64,103,069	9,863,680	24,711,191	16,327,424	1,537,542	1,721,830	98,397,236	0.629000	263,549,051	100.0%
2011	143,589,838	62,688,179	9,134,490	25,659,509	17,593,989	1,458,620	1,794,986	96,027,736	0.631400	261,919,610	100.0%
2012	143,066,680	64,399,008	8,156,000	24,102,917	17,691,347	1,486,380	1,374,522	95,070,923	0.636419	260,276,853	100.0%
2013	154,162,891	68,244,495	8,550,810	24,064,515	18,690,902	1,509,590	984,966	87,671,007	0.635424	276,208,169	100.0%
2014	152,634,129	68,057,390	8,690,900	23,513,279	18,568,706	1,542,220	862,161	95,399,430	0.625178	273,868,785	100.0%
2015	152,852,883	75,942,991	8,701,460	24,992,009	22,428,118	1,211,440	559,942	84,167,301	0.625178	286,688,842	100.0%
2016	159,166,696	74,669,206	9,192,340	23,527,759	21,525,890	1,241,920	199,318	85,044,175	0.629523	289,523,128	100.0%
2017	168,238,000	81,676,482	9,227,092	24,313,233	20,724,028	1,971,800	275,999	91,157,570	0.629523	306,426,633	100.0%
2018	164,012,232	86,300,913	9,098,217	26,530,910	23,159,653	1,112,510	160,421	90,578,472	0.629523	310,374,856	100.0%

Notes: The appraisal of property within the City is the responsibility of the Upshur Appraisal District. The Appraisal District is required under the Texas Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal, and the market data comparison basis of appraisal, and the method considered most appropriate by the chief appraiser is to be used. The value placed upon property within the Appraisal District is subject to review by a five member Appraisal Review Board.

Source: Upshur Appraisal District.

City of Gilmer, Texas
DIRECT AND OVERLAPPING PROPERTY TAX RATES
 Last Ten Fiscal Years (Unaudited)

Table 6

Fiscal Year	CITY OF GILMER			UPSHUR COUNTY			GILMER SCHOOL DISTRICT			UPSHUR ESD #1			Total Direct			
	Operating	Debt Service	Total Rate	Operating	Debt Service	Total Rate	Operating	Debt Service	Total Rate	Operating	Debt Service	Total Rate	Operating	Debt Service	Total Rate	
2009	0.413370	0.225530	0.638900	0.390900	0.027100	0.418000	1.040000	0.158000	1.198000	0.030000	0.000000	0.030000	0.030000	0.000000	0.030000	2.284900
2010	0.416900	0.219100	0.636000	0.391500	0.026500	0.418000	1.040000	0.155000	1.195000	0.030000	0.000000	0.030000	0.030000	0.000000	0.030000	2.279000
2011	0.412400	0.216600	0.629000	0.417500	0.032400	0.449900	1.040000	0.155000	1.195000	0.030000	0.000000	0.030000	0.030000	0.000000	0.030000	2.303900
2012	0.412200	0.219200	0.631400	0.436700	0.033400	0.470100	1.040000	0.155000	1.195000	0.030000	0.000000	0.030000	0.030000	0.000000	0.030000	2.326500
2013	0.406837	0.229582	0.636419	0.478700	0.033500	0.512200	1.040000	0.145000	1.185000	0.030000	0.000000	0.030000	0.030000	0.000000	0.030000	2.363619
2014	0.419305	0.216119	0.635424	0.522300	0.000000	0.522300	1.170000	0.015000	1.185000	0.030000	0.000000	0.030000	0.030000	0.000000	0.030000	2.372724
2015	0.407213	0.217965	0.625178	0.566600	0.000000	0.566600	1.170000	0.015000	1.185000	0.030000	0.000000	0.030000	0.030000	0.000000	0.030000	2.406778
2016	0.418761	0.206417	0.625178	0.558400	0.000000	0.558400	1.170000	0.050000	1.220000	0.030000	0.000000	0.030000	0.030000	0.000000	0.030000	2.433578
2017	0.433832	0.195691	0.629523	0.569800	0.000000	0.569800	1.170000	0.050000	1.220000	0.070000	0.000000	0.070000	0.070000	0.000000	0.070000	2.489323
2018	0.440419	0.189104	0.629523	0.595000	0.000000	0.595000	1.170000	0.050000	1.220000	0.070000	0.000000	0.070000	0.070000	0.000000	0.070000	2.514523

Note: The entire City was located in Upshur County and within the Gilmer Independent School District.

Source: Upshur County Truth in Taxation Summary, Texas Property Tax Code 26.16

City of Gilmer, Texas
PRINCIPAL PROPERTY TAX PAYERS
Current and Nine Years Ago (Unaudited)

Table 7

Taxpayer	2018			2009		
	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
ROB ROY INDUSTRIES	7,549,420	2	17.54%	\$ -	-	-
WALMART STORES TEXAS	9,448,730	1	21.95%	-	-	-
WESLEY PARTNERS	4,308,120	3	10.01%	-	-	-
AEP SOUTHWESTERN	4,037,470	4	9.38%	-	-	-
HIXSON LUMBER OF TEXAS	3,523,210	5	8.19%	-	-	-
GILMER NATIONAL BANK	3,311,640	6	7.69%	-	-	-
ETEX TELEPHONE COOP	2,800,450	7	6.51%	-	-	-
DEAN LUMBER COMPANY	2,641,830	10	6.14%	-	-	-
COIL SPECIALISTS	2,758,390	8	6.41%	-	-	-
FIRST NATIONAL GILMER	2,658,390	9	6.18%	-	-	-
WALMART STORES TEXAS	-	-	-	8,161,420	2	24.50%
ROB ROY INDUSTRIES	-	-	-	9,062,630	1	27.21%
GILMER NATIONAL BANK	-	-	-	2,953,160	5	8.87%
AEP SOUTHWESTERN	-	-	-	3,127,240	4	9.39%
FIRST NATIONAL GILMER	-	-	-	2,450,740	9	7.36%
WESLEY PARTNERS	-	-	-	2,649,520	8	7.95%
ETEX TELEPHONE COOP	-	-	-	2,728,960	6	8.19%
GILTEX CARE LIMITED	-	-	-	2,177,790	10	6.54%
ROBROY INDUSTRIES	-	-	-	2,694,610	7	8.09%
FIRST AMERICAN COMMERCIAL BANCORP	-	-	-	3,955,410	3	11.87%
Total	\$ 43,037,650			\$ 33,311,460		

Source: Upshur County Appraisal District.

City of Gilmer, Texas
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years (Unaudited)

Table 8

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the		Collections in Subsequent Years	Total Collections to Date	
		Fiscal year of the Levy			Amount	Percentage of Tax Levy
		Amount	Percentage of Tax Levy			
2009	1,664,076	1,554,430	93.41%	93,270	1,647,700	99.0%
2010	1,657,352	1,605,551	96.87%	33,684	1,639,235	98.9%
2011	1,641,300	1,582,539	96.42%	41,507	1,624,046	98.9%
2012	1,650,535	1,598,905	96.87%	35,119	1,634,024	99.0%
2013	1,656,907	1,598,376	96.47%	40,595	1,638,971	98.9%
2014	1,712,194	1,646,786	96.18%	42,954	1,689,740	98.7%
2015	1,711,717	1,656,354	96.77%	31,922	1,688,276	98.6%
2016	1,787,675	1,740,839	97.38%	21,757	1,762,596	98.6%
2017	1,818,198	1,765,132	97.08%	9,160	1,774,292	97.6%
2018	1,924,996	1,853,508	96.29%	-	1,853,508	96.3%

City of Gilmer, Texas
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years (Unaudited)

Table 9

Fiscal Year	Governmental Activities						Business-type Activities																				
	General Certificates of Obligation			Sales Tax & Revenue Bonds			Tax & Revenue Certificate of Obligation			Premium or Discount on Bonds			Capital Lease Payable			Notes Payable			Total Primary Government			Percentage of Personal Income			Per Capita		
	Bonds	Obligation		Bonds	Revenue		Bonds	Revenue		Bonds	Discount		Bonds	Lease		Payable	Notes	Government	Income	Capita							
2009	675,000	-	-	-	-	-	10,250,000	5,925,000	-	-	-	-	295,302	-	-	291,948	17,459,250	20.37%	3,581								
2010	575,000	-	-	-	-	-	9,945,000	5,785,000	-	-	-	-	101,574	-	-	225,138	16,631,712	20.00%	3,391								
2011	470,000	-	-	4,410,000	-	-	-	5,510,000	-	-	-	-	-	-	-	-	15,300,000	17.05%	3,116								
2012	360,000	-	-	4,275,000	-	-	-	5,230,000	-	-	-	-	-	-	-	-	14,520,000	15.27%	2,931								
2013	245,000	-	-	4,135,000	-	-	-	875,000	-	-	-	-	-	-	-	-	13,975,000	13.66%	2,804								
2014	125,000	-	-	3,995,000	(20,057)	-	-	450,000	-	-	-	-	-	-	-	-	13,332,164	11.38%	2,650								
2015	-	1,810,000	-	3,850,000	21,184	-	-	1,750,000	-	-	-	-	-	-	-	-	16,028,896	13.17%	3,150								
2016	-	1,705,772	-	3,700,000	18,899	-	-	1,649,228	-	-	-	-	-	-	-	-	15,155,019	13.11%	2,944								
2017	-	1,583,750	-	3,545,000	16,613	56,500	-	1,531,250	-	-	-	-	-	-	-	-	14,292,641	12.24%	2,760								
2018	-	1,454,101	-	3,385,000	14,327	51,698	-	1,405,899	-	-	-	-	-	-	-	-	13,343,959	11.24%	2,561								

Notes: Details regarding the City's outstanding debt can be found in the notes to financial statements.

City of Gilmer, Texas

Table 10

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING Last Ten Fiscal Years (Unaudited)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value ¹ of Property	Per Capita ²
2009	675,000	284,546	390,454	0.15%	80
2010	575,000	294,130	280,870	0.11%	57
2011	470,000	270,010	199,990	0.08%	41
2012	360,000	271,940	88,060	0.03%	18
2013	245,000	99,978	145,022	0.05%	29
2014	125,000	19,991	105,009	0.04%	21
2015	-	-	-	0.00%	-
2016	-	-	-	0.00%	-
2017	-	-	-	0.00%	-
2018	-	-	-	0.00%	-

¹See the Schedule of Assessed and Estimated Actual Value of Taxable Property for property value data.

²Population data can be found in the Schedule of Demographic and Economic Statistics.

City of Gilmer, Texas

Table 11

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of September 30, 2018 (Unaudited)

	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Overlapping Debt
Governmental Unit			
Debt repaid with property taxes:			
Gilmer ISD (as of 09/30/2018)	\$ 25,480,000	33.19%	\$ 8,456,812
Upshur County (as of 09/30/2017)	-	14.67%	-
Subtotal, overlapping debt			8,456,812
City of Gilmer	4,905,126	100.00%	4,905,126
Total direct and overlapping debt			\$ 13,361,938

DATA SOURCE: Texas Municipal Advisory Council

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping by the residents and businesses of the City of Gilmer, Texas. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident--and therefore responsible for repaying the debt--of each overlapping government.

¹ For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

City of Gilmer, Texas
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years (Unaudited)

Table 12

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Tax Rate Limit	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.629523	0.629523	0.629523	0.625178	0.625178	0.635424	0.636419	0.631400	0.629000	0.636000
Available Tax Rate	\$ 1.87048	\$ 1.87048	\$ 1.87482	\$ 1.87482	\$ 1.87482	\$ 1.86458	\$ 1.86358	\$ 1.86860	\$ 1.87100	\$ 1.86400

Note: There is no direct debt limitation in the City Charter or under state law. The City operates as a Home Rule city under the State Constitution that limits the maximum tax rate (Article XI, Section 4 & 5, Texas Constitution), for all city purposes, to \$2.50 per \$100 assessed valuation.

City of Gilmer, Texas

PLEDGED-REVENUE COVERAGE

Table 13

Last Ten Fiscal Years (Unaudited)

Fiscal Year	Water Revenue Bonds							Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Interest	Principal	
2009	2,009,927	935,864	1,074,063	842,417	934,907	842,417	60.4%	
2010	2,103,428	904,671	1,198,757	705,652	911,297	705,652	74.1%	
2011	2,234,449	898,943	1,335,506	766,998	886,555	766,998	80.8%	
2012	2,069,768	877,713	1,192,055	535,000	448,586	535,000	121.2%	
2013	2,130,171	916,922	1,213,249	555,000	429,485	555,000	123.2%	
2014	2,027,628	921,098	1,106,530	625,000	320,188	625,000	117.1%	
2015	1,947,614	1,005,086	942,528	655,000	292,313	655,000	99.5%	
2016	2,010,266	1,093,665	916,601	595,772	315,324	595,772	100.6%	
2017	2,128,684	1,055,676	1,073,008	617,977	289,493	617,977	118.2%	
2018	2,279,780	1,126,850	1,152,930	630,351	275,129	630,351	127.3%	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

City of Gilmer, Texas
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years (Unaudited)

Table 14

Fiscal Year	Population ¹	Median Personal Income ³	Per Capita ⁵ Personal Income	School Enrollment ⁴	Unemployment Rate ²
2009	4,876	36,383	17,580	2,375	7.60%
2010	4,905	36,688	16,958	2,350	8.80%
2011	4,910	39,341	18,276	2,422	7.90%
2012	4,954	39,004	19,195	2,413	6.70%
2013	4,984	44,844	20,534	2,390	6.30%
2014	5,031	46,618	23,278	2,462	5.10%
2015	5,088	46,122	23,922	2,415	5.20%
2016	5,148	41,103	22,455	2,421	6.30%
2017	5,179	44,672	22,547	2,418	4.30%
2018	5,210	36,418	22,790	2,418	4.10%

Data Sources:

- ¹ Texas State Data Center & Office of the State Demographer
- ² State Department of Labor and City-Data.com
- ³ US 2010 Census adjusted by CPI for inflation, expressed in thousands
- ⁴ Texas Education Agency, data not updated since 2017
- ⁵ U. S. Census Bureau American Fact Finder

City of Gilmer, Texas

Table 15

PRINCIPAL EMPLOYERS

Current and Nine Years Ago (Unaudited)

Employer	2018			2009		
	No. Employees ¹	Rank	Percentage of Total City Employment ²	No. Employees ¹	Rank	Percentage of Total City Employment ²
Gilmer ISD	391	1	34.7%	384	1	31.1%
Upshur County	219	2	19.4%	234	3	18.9%
Walmart	194	3	17.2%	249	2	20.1%
ETEX	109	4	9.7%	147	4	11.9%
Upshur Rural Electric	107	5	9.5%	88	6	7.1%
Hixson Lumber Company	100	6	8.9%	20	10	1.6%
RobRoy Industries	79	7	7.0%	110	5	8.9%
Custom Commodities	70	8	6.2%	85	7	6.9%
CSI	43	10	3.8%	49	9	4.0%
City of Gilmer	76	9	6.7%	67	8	5.4%
City of Gilmer Total	<u>1,126</u>		<u>69.09%</u>	<u>1,236</u>		<u>65.94%</u>

¹ Employment numbers provided by respective employers

² Total City employment calculated from US Census American Fact Finder

City of Gilmer, Texas

Table 16

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM Last Ten Fiscal Years (Unaudited)

Function / Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government										
City Administration	3	3	3	3	3	3	3	3	3	3
Finance	2	2	2	2	2	2	2	2	2	2
Municipal court	1	1	1	1	1	1	1	1	1	1
Community Development	1	1	1	1	1	1	1	1	1	1
Permits/Billing	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Police										
Administration	1	1	1	1	1	1	1	1	1	1
Officers	16	16	16	16	16	16	16	16	16	16
Civilians	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Animal control	1	1	1	1	1	1	1	1	1	1
Fire										
Firefighters and officers	7	7	7	7	7	7	7	7	7	7
Public Works										
Public Works Administration	1	1	1	1	1	1	1	1	1	1
Public Works Employees	11	10	9	9	9	9	9	9	9	9
Civic Center										
Administration	1	1	1	1	1	1	1	1	1	1
Total all governmental funds	51	50	49	49	49	49	49	49	49	49

City of Gilmer, Texas
OPERATING INDICATORS BY FUNCTIONS/PROGRAM
 Last Ten Fiscal Years (Unaudited)

Table 17

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General government										
Building permits issued	99	115	157	145	214	244	166	*	*	*
Building inspections conducted	196	116	166	165	243	258	210	*	*	*
Public Safety										
Police:										
Physical arrests	385	479	494	718	467	351	319	314	291	282
Traffic violations	2,935	1,825	1,696	2,331	1,429	1,644	1,661	2,164	2,079	1,493
Fire:										
Emergency responses	593	481	434	423	457	413	362	540	408	349
Fires extinguished	201	133	132	174	161	194	134	228	158	96
Inspections	94	24	21	23	26	25	20	22	22	24
Highways and streets										
Street resurfacing (miles)	0.00	0.7	0.77	8.15	-	-	-	1.04	-	-
Potholes repaired	300	300	300	300	300	300	300	300	300	300
Water										
New connections	5	5	5	5	5	5	5	5	5	5
Water main breaks	45	31	25	35	29	20	30	30	25	25
Average daily consumption (thousands of gallons)	618	668	662	713	660	717	725	841	776	740
Peak daily consumption (thousands of gallons)	1,081	1,439	1,086	1,278	987	1,362	1,299	1,498	1,287	1,298
Municipal Court										
Cases processed	3,015	2,775	2,529	3,551	2,146	2,548	2,577	3,259	3,073	2,251
General Services										
Work orders	13,382	11,594	9,445	6,736	4,732	2,485	604	372	277	246
Information Technology										
Personal computers / laptops	20	20	20	20	20	20	20	20	20	20
Service requests	*	66	43	59	29	*	*	*	*	*

NOTES: "*" denotes data not available

City of Gilmer, Texas
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years (Unaudited)

Table 18

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	6	6	6	6	6	6	6	6	6	6
Fire										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of vehicles	11	11	10	10	10	10	10	10	10	10
Streets and Grounds										
Streets (miles)	41.40	41.40	41.40	41.40	41.40	41.40	41.40	41.40	41.40	41.40
Water										
Water mains	55.80	55.80	55.80	55.80	55.80	55.80	55.80	55.80	55.80	55.80
Fire hydrants	291	291	291	282	282	282	282	282	282	275
Storage capacity	2,075,000	2,075,000	2,075,000	2,075,000	2,075,000	2,075,000	2,075,000	2,075,000	2,075,000	2,075,000
Wastewater										
Sanitary sewer (miles)	53.20	53.20	53.20	53.20	53.20	53.20	53.20	53.20	53.20	53.20
General Services										
Facilities	4	4	4	4	4	4	4	4	4	4
Fleet vehicles	14	14	11	11	11	11	11	9	8	8
Network servers	2	2	2	2	2	2	2	2	2	2

This page is left blank intentionally.

COMPLIANCE SECTION

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

P.O. Box 3167
Longview, Texas 75606

Phone: 903-238-8822

1501 Colony Circle
Longview, Texas 75604

Fax: 903-238-9838

Karen A. Jacks, CPA, CGMA
Peggy J. Lantz, CPA

Sherry Davis, CPA
Chanie A. Johnson, CPA

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 City Council
City of Gilmer, Texas
110 Buffalo
Gilmer, Texas 75644

Honorable Mayor and City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gilmer, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise City of Gilmer, Texas' basic financial statements, and have issued our report thereon dated April 10, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 City of Gilmer, Texas' 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
April 10, 2019

CITY OF GILMER, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

B. Financial Statement Findings

NONE

CITY OF GILMER, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None		

CITY OF GILMER, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2018

None required.

This page is left blank intentionally.