

**CITY OF GILMER, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

## Introductory Section

**CITY OF GILMER, TEXAS**  
LIST OF PRINCIPAL OFFICIALS  
SEPTEMBER 30, 2017

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Elected Officials

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

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Appointed Officials

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<u>Name</u>	<u>Position</u>
Greg Hutson	City Manager
Kathy Hoover	City Secretary

City of Gilmer, Texas  
Annual Financial Report  
For The Year Ended September 30, 2017

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## Financial Section

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# KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

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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, 2017, 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, 2017, 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 funds 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 2017, City of Gilmer, Texas adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*. 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, schedule of change in the City's net pension liability and schedules of the City's pension contributions for two retirement plans 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 and budgetary comparison schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The 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 budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has 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 March 22, 2018 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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  
March 22, 2018

# City of Gilmer, Texas

## Management's Discussion and Analysis

### For Year Ended September 30, 2017

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, 2017. 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, 2017 totaled \$37,827,799 compared to its liabilities and deferred inflows of resources of \$17,046,578; the excess of assets over liabilities (net position) was \$20,781,221. However, with the recognition of net pension liability and the adjustments from deferred inflows and outflows related to pensions, and the Civic Center expansion, total net position increased over last year by \$1,738,509 or 9.13% compared to the net position at September 30, 2016.
- During the year ended September 30, 2017, 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 will be completed in fiscal year 2018.
- The culvert project, that was discovered during the repaving project, was completed; at a cost of \$201,470. This project was funded by the 2015 Combined Tax and Revenue C/O Bonds, Series 2015.
- The old police station was sold and net proceeds of \$98,462 have been dedicated for future park development projects.
- The Civic Center expansion funded by the Civic Improvement Foundation in the amount of \$1,235,796.
- The General Fund revenues were \$3,208,035 with expenditures of \$3,640,258. There were also net transfers into the General Fund from other funds of \$402,510 and proceeds from sale of assets of \$129,462, which resulted in an increase of fund balance of \$99,749. At September 30, 2017 the General Fund had a fund balance of \$1,561,965.

#### 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 reports two 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 and the Civic Center funds. Data from the other non-major funds are combined into a single, aggregated presentation.

**Proprietary Funds-** The City maintains three types of proprietary funds. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses proprietary 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 a Proprietary 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 \$20,781,221, as of September 30, 2017, an increase of \$1,738,509 from the previous year.

The largest portion of the City's net position, 85%, reflects its 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	
	2016	2017	2016	2017	2016	2017
Current and other assets	\$ 2,833,453	\$ 3,210,947	\$ 3,159,462	\$ 3,119,004	\$ 5,992,915	\$ 6,329,951
Capital assets	11,560,829	12,794,017	18,000,395	17,709,723	29,561,224	30,503,740
Total assets	<u>14,394,282</u>	<u>16,004,964</u>	<u>21,159,857</u>	<u>20,828,727</u>	<u>35,554,139</u>	<u>36,833,691</u>
Deferred outflows related to pensions	540,514	457,303	107,813	97,022	648,327	554,325
Loss on defeasance of debt	-	-	476,827	439,783	476,827	439,783
Total deferred outflows of resources	<u>540,514</u>	<u>457,303</u>	<u>584,640</u>	<u>536,805</u>	<u>1,125,154</u>	<u>994,108</u>
Current liabilities	621,948	761,543	909,632	1,075,715	1,531,580	1,837,258
Noncurrent liabilities, due in more than one year	6,612,116	6,422,770	9,405,761	8,786,430	16,017,877	15,209,200
Total liabilities	<u>7,234,064</u>	<u>7,184,313</u>	<u>10,315,393</u>	<u>9,862,145</u>	<u>17,549,457</u>	<u>17,046,458</u>
Deferred inflows related to pensions	72,313	98	14,811	22	87,124	120
Net position:						
Capital assets	6,702,490	7,955,663	5,907,504	9,636,185	12,609,994	17,591,848
Restricted	1,501,965	1,465,125	109,518	109,835	1,611,483	1,574,960
Unrestricted	(576,036)	(142,932)	5,397,271	1,757,345	4,821,235	1,614,413
Total net position	<u>\$ 7,628,419</u>	<u>\$ 9,277,856</u>	<u>\$ 11,414,293</u>	<u>\$ 11,503,365</u>	<u>\$ 19,042,712</u>	<u>\$ 20,781,221</u>

**Analysis of the City's Operations-** Overall the City had an increase in net position of \$1,738,509. Governmental activities increased the net position by \$1,649,437 and net position from business-type activities increased by \$89,072.

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.

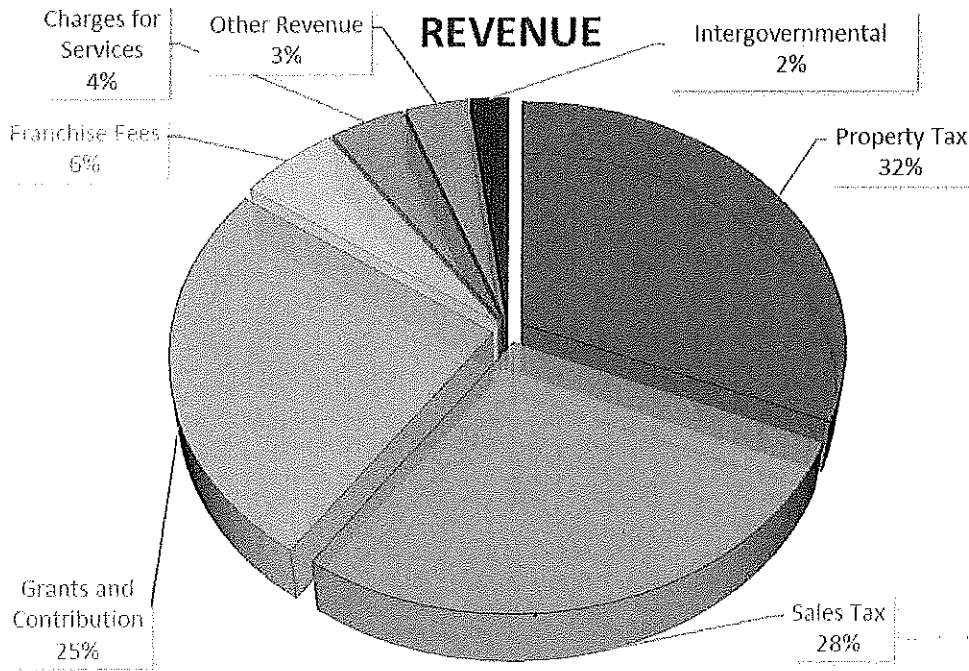
During fiscal years 2015 and 2016, the City recognized the full amount of the grant, \$667,083 as an in-kind contribution to land acquisition costs in connection with this project. However, during the current audit, it was determined that only \$24,445 of grant proceeds were earned during those years. The \$642,638 reflects a prior period adjustment in the Airport Enterprise Fund to properly adjust the financial statements for previously overstated construction in progress and related investment in capital asset account balances resulting from this error.

The following table provides a summary of the City's operations for the years ended September 30, 2017 and 2016.

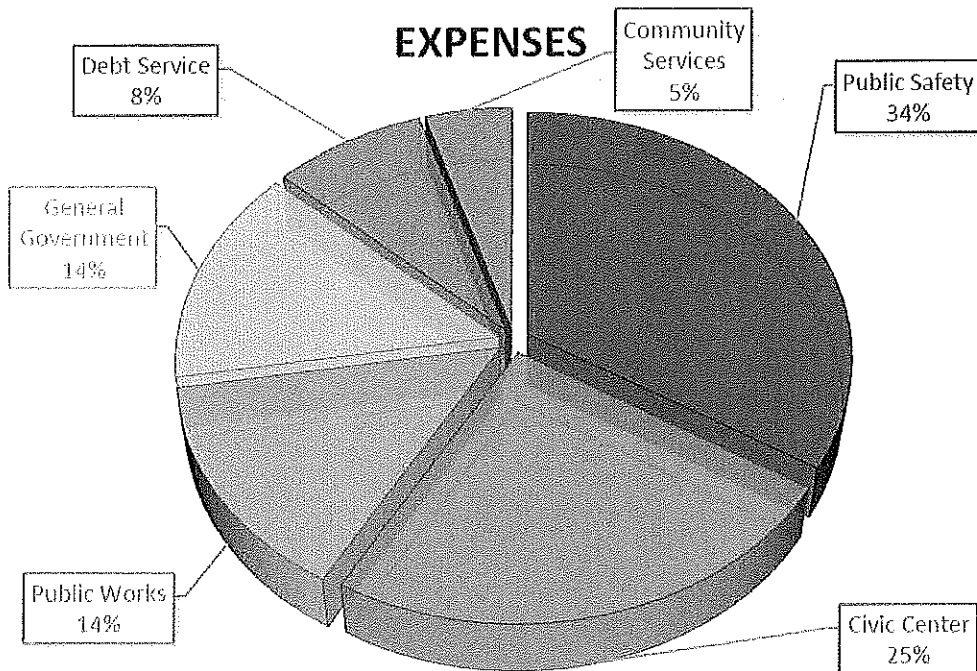
### CITY OF GILMER'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
<b>REVENUES:</b>						
<b>PROGRAM REVENUES:</b>						
Charges for services	\$ 386,407	\$ 421,763	\$ 2,840,434	\$ 3,018,087	3,226,841	3,439,850
Operating grants & contributions	1,831	1,686	-	8,563	1,831	10,249
Capital grants & contributions	100,000	1,468,902	600,503	214,573	700,503	1,683,475
<b>GENERAL REVENUES:</b>						
Property taxes, levied for general purposes	1,182,129	1,243,227	-	-	1,182,129	1,243,227
Property taxes, levied for debt services	604,413	571,462	-	-	604,413	571,462
Sales taxes	1,069,030	1,100,982	-	-	1,069,030	1,100,982
Sales taxes for Economic Development	533,044	548,972	-	-	533,044	548,972
Franchise fees	318,245	319,980	-	-	318,245	319,980
Other taxes	61,625	56,213	-	-	61,625	56,213
Penalty and interest	24,188	21,520	-	-	24,188	21,520
Miscellaneous revenue	62,740	72,395	-	-	62,740	72,395
Investment earnings	23,074	17,858	11,719	13,273	34,793	31,131
Loss/Gain on sale of equipment	-	80,277	(563,485)	56,231	(563,485)	136,508
Transfers in (out)	64,628	74,834	(64,628)	(74,834)	-	-
<b>TOTAL REVENUES</b>	<b>4,431,354</b>	<b>6,000,071</b>	<b>2,824,543</b>	<b>3,235,893</b>	<b>7,255,897</b>	<b>9,235,964</b>
<b>EXPENSES:</b>						
Legislative	31,401	35,905	-	-	31,401	35,905
Municipal court	99,089	100,526	-	-	99,089	100,526
Executive/administration	439,895	387,609	-	-	439,895	387,609
Community development	180,719	167,866	-	-	180,719	167,866
Financial administration	183,968	198,223	-	-	183,968	198,223
Police	1,476,138	1,598,693	-	-	1,476,138	1,598,693
Fire protection	674,310	640,257	-	-	674,310	640,257
Highways and streets	899,680	518,517	-	-	899,680	518,517
Parks	-	43,253	-	-	-	43,253
Lake	-	10,100	-	-	-	10,100
Civic center	185,372	191,787	-	-	185,372	191,787
Non departmental	193,396	246,708	-	-	193,396	246,708
Interest & fiscal agent fees	210,818	211,190	-	-	210,818	211,190
Water & sewer	-	-	1,754,049	1,745,905	1,754,049	1,745,905
Sanitation	-	-	644,852	669,563	644,852	669,563
Airport	-	-	72,915	88,715	72,915	88,715
<b>TOTAL EXPENSES</b>	<b>4,574,786</b>	<b>4,350,634</b>	<b>2,471,816</b>	<b>2,504,183</b>	<b>7,046,602</b>	<b>6,854,817</b>
CHANGES IN NET POSITION	(143,432)	1,649,437	352,727	731,710	209,295	2,381,147
NET POSITION - BEGINNING	7,771,851	7,628,419	11,061,566	11,414,293	18,833,417	19,042,712
PRIOR PERIOD ADJUSTMENT	-	-	-	(642,638)	-	(642,638)
<b>NET POSITION - ENDING</b>	<b>\$ 7,628,419</b>	<b>\$ 9,277,856</b>	<b>\$ 11,414,293</b>	<b>\$ 11,503,365</b>	<b>\$ 19,042,712</b>	<b>\$ 20,781,221</b>

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

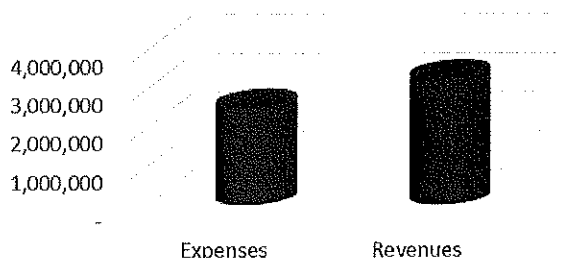


For the year ended September 30, 2017, revenues from governmental activities totaled \$6,000,071. Property tax, sales tax, and charges for services are the City's largest revenue source. Property tax receipts increased with no change in the city's adopted tax rate from the prior year. This increase is 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, 2017, expenses for governmental activities totaled \$4,350,634. This represents a decrease of \$224,152 or 4.9% from the prior year. The City's largest functional expense is public safety of \$2,238,950 which increased \$88,502 or 4.11% from the prior year. This increase is due in part, to a general increase in salaries and wages. General government increased \$22,222 or 2.23% primarily due to non-departmental cost increases.

### Business-Type Activities - Revenues and Expenses



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

For the year ended September 30, 2017, charges for services by business-type activities totaled \$3,018,087. This is an increase of \$177,653 or 6.25% from the previous year. Grants and contributions decreased by \$377,367.

Total expenses increased slightly by \$32,367 or 1.3% 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.

At the end of the current fiscal year, the City of Gilmer's governmental funds reported combined ending fund balances of \$2,673,753 which is an increase of \$253,652 from last fiscal year's balance of \$2,420,101. Of the current balance, \$990,025 constitutes unrestricted fund balance. The remainder of the fund balance is restricted by statute or its providers, such as bondholders (\$974,592), construction (\$330,026) or has been assigned by the City to express intent for a narrower purpose than general government obligations (\$369,181) 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.



**Proprietary funds-** The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the respective proprietary funds are Water and Sewer- \$1,416,101 Sanitation- \$185,775 and Airport \$155,470.

## CAPITAL ASSETS

The City of Gilmer's investment in capital assets for its governmental and business-type activities as of September 30, 2017 amounts to \$29,267,944 (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	
	2016	2017	2016	2017	2016	2017
Land	\$ 6,330,697	\$ 6,419,591	\$ 4,525,164	\$ 4,525,164	\$ 10,855,861	\$ 10,944,755
Infrastructure	1,875,280	1,600,698	8,020,056	7,973,345	9,895,336	9,574,043
Buildings	2,534,774	2,406,698	714,849	698,555	3,249,623	3,105,253
Improvements, other than buildings	-	-	3,738,332	3,593,015	3,738,332	3,593,015
Machinery & equipment	801,078	853,280	245,781	201,740	1,046,859	1,055,020
Construction in progress	19,000	1,513,750	66,013	717,904	85,013	2,231,654
<b>Total</b>	<b>\$ 11,560,829</b>	<b>\$ 12,794,017</b>	<b>\$ 17,310,195</b>	<b>\$ 17,709,723</b>	<b>\$ 28,871,024</b>	<b>\$ 30,503,740</b>

## DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Gilmer had total long-term debt of \$14,036,500. Of this amount, \$1,583,750 comprises bonded debt backed by the full faith and credit of the government, \$56,500 is a note payable backed by the full faith and credit of the government, while \$7,320,000 represents bonds secured solely by water and sewer revenues and \$1,531,250 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 \$3,545,000 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	
	2016	2017	2016	2017	2016	2017
General Obligation Bonds	\$ 1,705,772	\$ 1,583,750	\$ -	\$ -	\$ 1,705,772	\$ 1,583,750
Revenue Bonds Payable	-	-	7,820,000	7,320,000	7,820,000	7,320,000
Notes	-	56,500	-	-	-	56,500
Tax & Revenue CO	-	-	1,649,228	1,531,250	1,649,228	1,531,250
Premium (discount) on issuance of debt	36,831	33,482	261,120	239,528	297,951	273,010
Sub-total	<u>1,742,603</u>	<u>1,673,732</u>	<u>9,730,348</u>	<u>9,090,778</u>	<u>11,472,951</u>	<u>10,764,510</u>
Sales & Tax Revenue Bonds	3,700,000	3,545,000	-	-	3,700,000	3,545,000
Premium (discount) on issuance of debt	(17,932)	(16,869)	-	-	(17,932)	(16,869)
Sub-total	<u>3,682,068</u>	<u>3,528,131</u>	<u>-</u>	<u>-</u>	<u>3,682,068</u>	<u>3,528,131</u>
Total	\$ 5,424,671	\$ 5,201,863	\$ 9,730,348	\$ 9,090,778	\$ 15,155,019	\$ 14,292,641

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2017-2018, budget and rates. Sales tax receipts had shown an increase in fiscal year 2016-2017 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 2017-2018 remained the same at the 2016-2017 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.

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## Basic Financial Statements

**CITY OF GILMER, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 2,339,090	\$ 1,114,248	\$ 3,453,338
Investments	962,723	895,281	1,858,004
Receivables:			
Taxes	291,931	--	291,931
Accounts	--	417,327	417,327
Notes	21,629	--	21,629
Other	214,862	2,850	217,712
Internal balances	(629,217)	629,217	--
Prepaid expenses	9,929	60,081	70,010
Capital assets (net of accumulated depreciation):			
Land	6,419,591	4,525,164	10,944,755
Construction in progress	1,513,750	717,904	2,231,654
Infrastructure	1,600,698	11,566,360	13,167,058
Buildings and improvements	2,406,698	698,555	3,105,253
Furniture and equipment	853,280	201,740	1,055,020
Total Assets	<u>16,004,964</u>	<u>20,828,727</u>	<u>36,833,691</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred outflows related to pensions	457,303	97,022	554,325
Loss on defeasance of debt	--	439,783	439,783
Total deferred outflows of resources	<u>457,303</u>	<u>536,805</u>	<u>994,108</u>
<b>LIABILITIES:</b>			
Accounts payable	277,153	213,187	490,340
Accrued wages	39,450	9,735	49,185
Other liabilities	10,233	--	10,233
Accrual for compensated absences	96,118	27,900	124,018
Accrued interest payable	39,571	75,365	114,936
Unearned revenue	4,500	1,200	5,700
Customer deposits	--	117,977	117,977
Noncurrent liabilities:			
Due within one year	294,518	630,351	924,869
Due in more than one year	4,907,345	8,460,426	13,367,771
Net pension liability	1,515,425	326,004	1,841,429
Total liabilities	<u>7,184,313</u>	<u>9,862,145</u>	<u>17,046,458</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred inflows related to pensions	98	22	120
Total deferred inflows of resources	<u>98</u>	<u>22</u>	<u>120</u>
<b>NET POSITION:</b>			
Net investment in capital assets	7,955,663	9,636,185	17,591,848
Restricted For:			
Debt service	939,379	109,835	1,049,214
Capital projects	330,026	--	330,026
Other purposes	195,720	--	195,720
Unrestricted	(142,932)	1,757,345	1,614,413
Total net position	<u>\$ 9,277,856</u>	<u>\$ 11,503,365</u>	<u>\$ 20,781,221</u>

The accompanying notes are an integral part of this statement.

**CITY OF GILMER, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
Legislative	\$ 35,905	\$ --	\$ --	\$ --
Municipal court	100,526	--	--	--
Executive/administration	387,609	--	--	--
Community development	167,866	23,434	--	--
Financial administration	198,223	--	--	--
Police	1,598,693	225,177	1,686	--
Fire protection	640,257	131,742	--	--
Highways and streets	518,517	--	--	233,106
Parks	43,253	--	--	--
Lake	10,100	--	--	--
Civic center	191,787	41,410	--	1,235,796
Non-departmental	246,708	--	--	--
Interest and fiscal agent fees	211,190	--	--	--
Total Governmental Activities	<u>4,350,634</u>	<u>421,763</u>	<u>1,686</u>	<u>1,468,902</u>
Business-type Activities:				
Water and sewer	1,745,905	2,167,331	--	--
Sanitation	669,563	777,915	--	--
Airport	88,715	72,841	8,563	214,573
Total Business-type Activities	<u>2,504,183</u>	<u>3,018,087</u>	<u>8,563</u>	<u>214,573</u>
Total Primary Government	<u>\$ 6,854,817</u>	<u>\$ 3,439,850</u>	<u>\$ 10,249</u>	<u>\$ 1,683,475</u>

General Revenues:

Property taxes levied for general purposes  
Property taxes levied for debt service  
Sales taxes  
Sales taxes for Economic Development  
Franchise fees  
Other taxes  
Penalty and interest  
Investment earnings  
Miscellaneous  
Gain on 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>
\$ (35,905)		\$ (35,905)
(100,526)		(100,526)
(387,609)		(387,609)
(144,432)		(144,432)
(198,223)		(198,223)
(1,371,830)		(1,371,830)
(508,515)		(508,515)
(285,411)		(285,411)
(43,253)		(43,253)
(10,100)		(10,100)
1,085,419		1,085,419
(246,708)		(246,708)
(211,190)		(211,190)
<u>(2,458,283)</u>		<u>(2,458,283)</u>
--	\$ 421,426	421,426
--	108,352	108,352
--	207,262	207,262
--	<u>737,040</u>	<u>737,040</u>
<u>(2,458,283)</u>	<u>737,040</u>	<u>(1,721,243)</u>
1,243,227	--	1,243,227
571,462	--	571,462
1,100,982	--	1,100,982
548,972	--	548,972
319,980	--	319,980
56,213	--	56,213
21,520	--	21,520
17,858	13,273	31,131
72,395	--	72,395
80,277	56,231	136,508
74,834	(74,834)	--
<u>4,107,720</u>	<u>(5,330)</u>	<u>4,102,390</u>
1,649,437	731,710	2,381,147
7,628,419	11,414,293	19,042,712
--	(642,638)	(642,638)
<u>\$ 9,277,856</u>	<u>\$ 11,503,365</u>	<u>\$ 20,781,221</u>

**CITY OF GILMER, TEXAS**  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017

	General Fund	Civic Center Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND OTHER DEBITS:</b>				
Cash	\$ 1,983,536	\$ 73,316	\$ 282,238	\$ 2,339,090
Investments	208,603	--	754,120	962,723
Receivables:				
Taxes	291,931	--	--	291,931
Due from other funds	--	--	51,040	51,040
Notes receivable	--	--	21,629	21,629
Other receivable	19,409	--	135,450	154,859
Prepaid expenditures	9,929	--	--	9,929
<b>TOTAL ASSETS</b>	<u>\$ 2,513,408</u>	<u>\$ 73,316</u>	<u>\$ 1,244,477</u>	<u>\$ 3,831,201</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 80,639	\$ 57,614	\$ 138,900	\$ 277,153
Due to other funds	680,257	--	--	680,257
Unearned revenue	4,500	--	--	4,500
Other liabilities	1,833	8,400	--	10,233
Accrued wages	38,505	945	--	39,450
Accrual for compensated absences	4,660	146	--	4,806
<b>TOTAL LIABILITIES</b>	<u>810,394</u>	<u>67,105</u>	<u>138,900</u>	<u>1,016,399</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred property tax revenue	141,049	--	--	141,049
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>141,049</u>	<u>--</u>	<u>--</u>	<u>141,049</u>
<b>FUND BALANCE:</b>				
Nonspendable	9,929	--	--	9,929
Restricted for debt service	--	--	974,592	974,592
Restricted for construction	330,026	--	--	330,026
Restricted for other purposes	58,525	6,211	130,985	195,721
Assigned	173,460	--	--	173,460
Unassigned	990,025	--	--	990,025
<b>TOTAL FUND BALANCE</b>	<u>1,561,965</u>	<u>6,211</u>	<u>1,105,577</u>	<u>2,673,753</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 2,513,408</u>	<u>\$ 73,316</u>	<u>\$ 1,244,477</u>	<u>\$ 3,831,201</u>

The accompanying notes are an integral part of this statement.



**CITY OF GILMER, TEXAS**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017

Total fund balances - governmental funds balance sheet	\$ 2,673,753
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	12,794,017
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	141,049
Payables for bond principal which are not due in the current period are not reported in the funds.	(5,128,750)
Payables for bond interest which are not due in the current period are not reported in the funds.	(39,571)
Payables for notes which are not due in the current period are not reported in the funds.	(56,500)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(91,312)
Court fines receivable unavailable to pay for current period expenditures are not reported in the funds.	60,003
Unamortized discounts on issuance of bonds are not reported in the funds.	16,869
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(1,515,425)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(98)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	457,303
Bond premiums are amortized in the SNA but not in the funds.	<u>(33,482)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 9,277,856</u>

The accompanying notes are an integral part of this statement.

## CITY OF GILMER, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Civic Center Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property taxes	\$ 1,242,910	\$ --	\$ 571,462	\$ 1,814,372
Penalty and interest	21,520	--	--	21,520
Sales tax	1,100,982	--	548,972	1,649,954
Franchise fees	319,980	--	--	319,980
Other taxes	56,213	--	--	56,213
Fines and forfeitures	216,939	--	14	216,953
Licenses and permits	23,784	--	--	23,784
Intergovernmental revenue and grants	122,954	--	--	122,954
Investment income	11,046	1	6,811	17,858
Rents and royalties	5,518	27,282	6,000	38,800
Donations	--	1,235,796	--	1,235,796
Grant revenue	1,686	--	233,106	234,792
Other revenue	84,503	2,610	--	87,113
<b>TOTAL REVENUES</b>	<b>3,208,035</b>	<b>1,265,689</b>	<b>1,366,365</b>	<b>5,840,089</b>
<b>EXPENDITURES:</b>				
Legislative	30,005	--	--	30,005
Municipal court	84,075	--	--	84,075
Executive/administration	316,674	--	--	316,674
Community development	140,512	--	--	140,512
Financial administration	163,758	--	--	163,758
Police	1,339,236	--	1,355	1,340,591
Fire protection	638,413	--	--	638,413
Highways and streets	542,318	--	281,403	823,721
Parks	128,459	--	--	128,459
Lake	10,100	--	--	10,100
Civic center	--	1,431,960	--	1,431,960
Non-departmental	246,708	--	--	246,708
Debt service -principal	--	--	277,022	277,022
-interest	--	--	212,185	212,185
-fees	--	--	3,050	3,050
<b>TOTAL EXPENDITURES</b>	<b>3,640,258</b>	<b>1,431,960</b>	<b>775,015</b>	<b>5,847,233</b>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(432,223)	(166,271)	591,350	(7,144)
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of assets	129,462	--	--	129,462
Loan proceeds	--	56,500	--	56,500
Transfers in	631,290	115,601	48,297	795,188
Transfers out	(228,780)	--	(491,574)	(720,354)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>531,972</b>	<b>172,101</b>	<b>(443,277)</b>	<b>260,796</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>99,749</b>	<b>5,830</b>	<b>148,073</b>	<b>253,652</b>
<b>FUND BALANCE - BEGINNING</b>	<b>1,462,216</b>	<b>381</b>	<b>957,504</b>	<b>2,420,101</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 1,561,965</b>	<b>\$ 6,211</b>	<b>\$ 1,105,577</b>	<b>\$ 2,673,753</b>

The accompanying notes are an integral part of this statement.

**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, 2017

Net change in fund balances - total governmental funds	\$ 253,652
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,029,907
The depreciation of capital assets used in governmental activities is not reported in the funds.	(747,533)
The gain on the sale of capital assets is not reported in the funds.	80,277
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(129,462)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	317
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	277,022
(Increase) decrease in accrued interest from beginning of period to end of period.	1,760
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(4,890)
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	4,554
Proceeds of long-term debt is recognized as other financial resources in the funds but not revenue in the SOA.	(56,500)
Bond premiums are reported in the funds but not in the SOA.	3,348
Bond discounts are reported in the funds but not in the SOA.	(1,063)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(61,952)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,649,437</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 1,239,295	\$ 1,239,295	\$ 1,242,910	\$ 3,615
Penalty and interest	17,000	17,000	21,520	4,520
Sales tax	1,071,875	1,071,875	1,100,982	29,107
Franchise fees	300,400	300,400	319,980	19,580
Other taxes	53,000	53,000	56,213	3,213
Fines and forfeitures	235,100	235,100	216,939	(18,161)
Licenses and permits	23,800	23,800	23,784	(16)
Intergovernmental revenue and grants	64,445	122,445	122,954	509
Investment income	9,225	9,225	11,046	1,821
Rents and royalties	5,700	5,700	5,518	(182)
Grant revenue	--	--	1,686	1,686
Other revenue	16,800	77,362	84,503	7,141
<b>TOTAL REVENUES</b>	<u>3,036,640</u>	<u>3,155,202</u>	<u>3,208,035</u>	<u>52,833</u>
<b>EXPENDITURES:</b>				
Legislative	31,169	31,169	30,005	1,164
Municipal court	85,265	85,265	84,075	1,190
Executive/administration	311,440	398,902	316,674	82,228
Community development	161,032	161,032	140,512	20,520
Financial administration	163,895	166,268	163,758	2,510
Police	1,436,588	1,454,106	1,339,236	114,870
Fire protection	603,507	653,809	638,413	15,396
Highways and streets	345,899	661,004	542,318	118,686
Parks	53,157	141,551	128,459	13,092
Lake	10,000	10,000	10,100	(100)
Non-departmental	276,856	285,574	246,708	38,866
<b>TOTAL EXPENDITURES</b>	<u>3,546,283</u>	<u>4,116,155</u>	<u>3,640,258</u>	<u>475,897</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(509,643)</u>	<u>(960,953)</u>	<u>(432,223)</u>	<u>528,730</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of assets	--	119,462	129,462	10,000
Transfers in	788,389	1,145,038	631,290	(513,748)
Transfers out	(184,829)	(1,547,991)	(228,780)	1,319,211
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>603,560</u>	<u>(283,491)</u>	<u>531,972</u>	<u>815,463</u>
<b>NET CHANGE IN FUND BALANCES</b>	93,917	(1,244,444)	99,749	1,344,193
<b>FUND BALANCES - BEGINNING</b>	1,462,216	1,462,216	1,462,216	--
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,556,133</u>	<u>\$ 217,772</u>	<u>\$ 1,561,965</u>	<u>\$ 1,344,193</u>

The accompanying notes are an integral part of this statement.

**CITY OF GILMER, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2017**

	Water & Sewer Fund	Sanitation Fund	Airport Fund	Total Enterprise Funds
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 831,668	\$ 66,437	\$ 98,416	\$ 996,521
Investments	895,281	--	--	895,281
Receivables ( net of allowances for uncollectibles)	289,125	128,202	--	417,327
Other receivables	--	--	2,850	2,850
Prepaid expenses	5,019	--	55,062	60,081
Due from other funds	577,455	51,762	--	629,217
Total current assets	<u>2,598,548</u>	<u>246,401</u>	<u>156,328</u>	<u>3,001,277</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	117,727	--	--	117,727
Capital assets:				
Land	4,266,667	230,484	28,013	4,525,164
Construction in progress	452,328	--	265,576	717,904
Land improvements	3,558,647	--	1,553,244	5,111,891
Infrastructure	14,242,667	--	--	14,242,667
Buildings	129,125	--	815,817	944,942
Equipment and furniture	683,857	--	128,914	812,771
Less accumulated depreciation	(8,048,366)	--	(597,250)	(8,645,616)
Total noncurrent assets	<u>15,402,652</u>	<u>230,484</u>	<u>2,194,314</u>	<u>17,827,450</u>
<b>TOTAL ASSETS</b>	<u><b>18,001,200</b></u>	<u><b>476,885</b></u>	<u><b>2,350,642</b></u>	<u><b>20,828,727</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred outflows related to pensions	96,861	161	--	97,022
Loss on defeasance of debt	439,783	--	--	439,783
<b>TOTAL OUTFLOWS OF RESOURCES</b>	<u><b>536,644</b></u>	<u><b>161</b></u>	<u><b>--</b></u>	<u><b>536,805</b></u>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	152,332	60,247	608	213,187
Wages payable	9,735	--	--	9,735
Accrual for compensated absences	27,900	--	--	27,900
Accrued interest payable	75,365	--	--	75,365
Unearned revenue	1,200	--	--	1,200
Customer deposits	117,727	--	250	117,977
Bonds, notes, and loans payable	630,351	--	--	630,351
Total current liabilities	<u>1,014,610</u>	<u>60,247</u>	<u>858</u>	<u>1,075,715</u>
Noncurrent liabilities:				
Bonds, notes, and loans payable	8,460,426	--	--	8,460,426
Net pension liability	325,464	540	--	326,004
Total noncurrent liabilities	<u>8,785,890</u>	<u>540</u>	<u>--</u>	<u>8,786,430</u>
<b>TOTAL LIABILITIES</b>	<u><b>9,800,500</b></u>	<u><b>60,787</b></u>	<u><b>858</b></u>	<u><b>9,862,145</b></u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred inflows related to pensions	22	--	--	22
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>22</b></u>	<u><b>--</b></u>	<u><b>--</b></u>	<u><b>22</b></u>
<b>NET POSITION:</b>				
Net investment in capital assets	7,211,386	230,484	2,194,314	9,636,184
Restricted for debt service	109,835	--	--	109,835
Unrestricted	1,416,101	185,775	155,470	1,757,346
<b>TOTAL NET POSITION</b>	<u><b>\$ 8,737,322</b></u>	<u><b>\$ 416,259</b></u>	<u><b>\$ 2,349,784</b></u>	<u><b>\$ 11,503,365</b></u>

The accompanying notes are an integral part of this statement.

## CITY OF GILMER, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Water & Sewer Fund	Sanitation Fund	Airport Fund	Total Enterprise Funds
<b>OPERATING REVENUES:</b>				
Charges for water services	\$ 1,298,861	\$ --	\$ --	\$ 1,298,861
Charges for sewer services	767,670	--	--	767,670
Charges for sanitation services	--	767,220	--	767,220
Penalties	31,790	10,407	--	42,197
Rents and royalties	14,400	--	72,391	86,791
Licenses and permits	3,600	--	--	3,600
Other revenue	12,363	288	450	13,101
Total Operating Revenues	<u>2,128,684</u>	<u>777,915</u>	<u>72,841</u>	<u>2,979,440</u>
<b>OPERATING EXPENSES:</b>				
Salaries and employee benefits	573,069	(3,581)	--	569,488
Contractual services	64,052	667,350	5,669	737,071
Utilities	130,050	--	9,180	139,230
Repairs and maintenance	187,493	--	11,080	198,573
Supplies and other expenses	71,110	--	1,364	72,474
Insurance	29,902	--	3,317	33,219
Depreciation	394,306	--	58,105	452,411
Total Operating Expenses	<u>1,449,982</u>	<u>663,769</u>	<u>88,715</u>	<u>2,202,466</u>
Operating Income (Loss)	<u>678,701</u>	<u>114,147</u>	<u>(15,874)</u>	<u>776,974</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest and investment revenue	12,634	412	227	13,273
Operating grants	--	--	8,563	8,563
Capital grants	--	--	214,573	214,573
Insurance proceeds	38,647	--	--	38,647
Gain on disposition of assets	56,231	--	--	56,231
Interest expense	(285,516)	--	--	(285,516)
Debt issuance costs and fees	(16,201)	--	--	(16,201)
Total Non-operating Revenues (Expenses)	<u>(194,205)</u>	<u>412</u>	<u>223,363</u>	<u>29,570</u>
Income before Transfers	484,496	114,559	207,489	806,544
Transfers in	494,232	--	--	494,232
Transfers out	(467,147)	(101,919)	--	(569,066)
Change in Net Position	511,581	12,640	207,489	731,710
Total Net Position - Beginning	8,225,741	403,619	2,784,933	11,414,293
Prior period adjustment	--	--	(642,638)	(642,638)
Total Net Position - Ending	<u>\$ 8,737,322</u>	<u>\$ 416,259</u>	<u>\$ 2,349,784</u>	<u>\$ 11,503,365</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, 2017

	Water & Sewer Fund	Sanitation Fund	Airport Fund	Total
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$ 2,147,929	\$ 774,541	\$ 72,991	\$ 2,995,461
Cash Payments to Employees for Services	(533,265)	(2,213)	--	(535,478)
Cash Payments to Other Suppliers for Goods and Services	(331,231)	(668,149)	(32,574)	(1,031,954)
Net Cash Provided by Operating Activities	<u>1,283,433</u>	<u>104,179</u>	<u>40,417</u>	<u>1,428,029</u>
<b>Cash Flows from Non-capital Financing Activities:</b>				
Operating Grants Received	--	--	8,564	8,564
Transfers From (To) Primary Government	373,993	(86,816)	--	287,177
Net Cash Provided (Used) by Non-capital Financing Activities	<u>373,993</u>	<u>(86,816)</u>	<u>8,564</u>	<u>295,741</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Principal and Interest Paid	(908,221)	--	--	(908,221)
Acquisition or Construction of Capital Assets	(639,876)	--	--	(639,876)
Proceeds from Sale of Capital Assets	97,386	--	--	97,386
Net Cash Used for Capital & Related Financing Activities	<u>(1,450,711)</u>	<u>--</u>	<u>--</u>	<u>(1,450,711)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest on Investments	9,921	412	227	10,560
Net Cash Provided by Investing Activities	<u>9,921</u>	<u>412</u>	<u>227</u>	<u>10,560</u>
Net Increase in Cash and Cash Equivalents	216,636	17,775	49,208	283,619
Cash and Cash Equivalents at Beginning of Year	615,032	48,662	49,208	712,902
Cash and Cash Equivalents at End of Year	<u>\$ 831,668</u>	<u>\$ 66,437</u>	<u>\$ 98,416</u>	<u>\$ 996,521</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating Income (Loss)	\$ 684,496	\$ 108,352	\$ (15,874)	\$ 776,974
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	394,306	--	58,105	452,411
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	19,245	(3,374)	150	16,021
Decrease (Increase) in Prepaid Expenses	5,903	--	(2,031)	3,872
Increase (Decrease) in Accounts Payable	145,473	(799)	67	144,741
Increase (Decrease) in Accrued Wages Payable	5,394	--	--	5,394
Increase (Decrease) in Pension Liabilities	28,616	--	--	28,616
Total Adjustments	<u>598,937</u>	<u>(4,173)</u>	<u>56,291</u>	<u>651,055</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,283,433</u>	<u>\$ 104,179</u>	<u>\$ 40,417</u>	<u>\$ 1,428,029</u>

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, 2017

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 "Codifications 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 unit of any other reporting entity as defined by the GASB Codification.

Blended Component Unit

The Economic Development Corporation has been determined to be a blended component unit of the City. The board of the Economic Development Corporation (EDC) is appointed by the City Council. The EDC is funded by a one-half cent sales tax to promote economic growth in the City. It is included in the financial statements as a special revenue fund (Economic Development Fund). There are no separate financial statements issued. All sales tax revenues produced by the EDC are pledged to debt service on Sales Tax Revenue Bonds.

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 different business-type activities of the City and for each function of the City's governmental activities.



## CITY OF GILMER, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

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.

The City reports the following major governmental funds:

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 Civic Center Fund is a special revenue fund that accounts for the revenue and expenditures related to the operations of the Civic Center.

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. 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

**CITY OF GILMER, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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, 2016, upon which the 2017 fiscal-year levy was based, was \$289,523,163. The tax assessment of October 1, 2016 sets a tax levy at \$.629523 per \$100 of assessed valuation at 100% of assumed market value. The 2017 fiscal year tax levy was \$1,822,615.

Taxes were due in January following the October 1 statement date. Tax collections during the fiscal year ended September 30, 2017, for the fiscal 2016 tax levy were 96.85% of the total tax levy for that year.

Delinquent taxes as of September 30, 2017, were \$302,781.

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 at September 30, 2017 is \$161,732.

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 valued at their estimated fair 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, 2017

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</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.

g. 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 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.

h. 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.