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February 3, 2020

To the Honorable City Council
City of Gun Barrel City, Texas
1716 West Main Street
Gun Barrel City, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gun Barrel City, Texas for the year ended September 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 27, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Gun Barrel City, Texas are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the City of Gun Barrel City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was:

The net pension liability and related disclosures on pension plans in Note C to the financial statements. This disclosure includes the actuarially calculated accrued liability, funded status of the plan, and the City's required contribution rate.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 3, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to City of Gun Barrel City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of Gun Barrel City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and supporting schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report combining and individual nonmajor individual fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Honorable Mayor and City Council and management of City of Gun Barrel City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Misty Culpepper, CPA, PLLC
Certified Public Accountant

CITY OF GUN BARREL CITY, TEXAS

ANNUAL FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

CITY OF GUN BARREL CITY, TEXAS
 FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2019
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Gun Barrel City, Texas

I have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gun Barrel City, Texas, as of and for the year ended September 30, 2019, 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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gun Barrel City, Texas, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

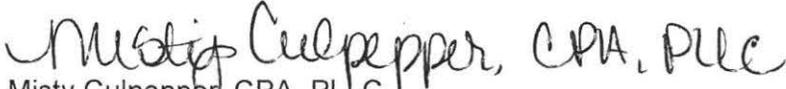
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages pages 4 through 9 and 42 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gun Barrel City, Texas's basic financial statements. The individual fund financial statement is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining fund financial statements 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 my opinion, the individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


Misty Culpepper, CPA, PLLC
Certified Public Accountant

February 3, 2020

CITY OF GUN BARREL CITY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gun Barrel City, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019.

FINANCIAL HIGHLIGHTS

- The assets of the City of Gun Barrel City exceeded its liabilities at the close of the most recent fiscal year by \$10,237,578 (Net Position).
- The City's total net position increased by \$23,697.
- As of the close of the current fiscal year, the City of Gun Barrel City's general fund reported ending fund balance of \$4,066,801.

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 most recent 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 flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and 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, public safety, streets and economic development.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself and the Corporation's financial statements may be obtained at the Corporation's administrative office.

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 are governmental 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 nineteen individual 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 Balance for the General fund which is considered to be a major fund. Data from the other funds is combined into a single, aggregated presentation.

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

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary comparison information and net pension liability information.

The combining and individual nonmajor fund statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

GOVERNMENTAL-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 Gun Barrel City, assets exceeded liabilities by \$10,237,578 as of September 30, 2019.

The largest portion of the City's net position reflects its investments in capital assets (e.g., land, buildings, improvements, machinery and equipment, 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.

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 4,743,515	\$ 4,089,099
Capital assets	7,241,188	7,458,803
Total assets	<u>11,984,703</u>	<u>11,547,902</u>
Deferred Outflows of Resources	<u>71,073</u>	<u>254,517</u>
Long term liabilities	1,246,823	1,062,029
Other liabilities	197,487	164,590
Total liabilities	<u>1,444,310</u>	<u>1,226,619</u>
Deferred Inflows of Resources	<u>373,888</u>	<u>278,196</u>
Net position:		
Net investment in capital assets	6,080,570	6,227,341
Restricted	861,863	770,466
Unrestricted	3,295,145	3,299,707
Total net position	<u>\$ 10,237,578</u>	<u>\$ 10,297,514</u>

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position.

An additional portion of the City's net position represents resources that are subject to external restriction on how they may be used.

Analysis of the City's Operations – The following table provides a summary of the City's operations for the year ended September 30, 2019.

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 310,703	\$ 272,572
Operating grants and contributions	6,295	8,056
Capital grants and contributions	78,409	41,940
General revenues:		
Sales tax	3,562,219	3,389,324
Franchise tax	462,787	447,253
Hotel occupancy tax	95,285	81,805
Alcoholic beverage taxes	51,457	47,493
Investment earnings	25,550	13,296
Miscellaneous	99,755	121,144
Total revenues	<u>4,692,460</u>	<u>4,422,883</u>
Expenses:		
Mayor and council	4,491	3,978
Administration	518,025	414,429
City secretary	105,035	62,896
Treasurer	113,333	78,154
Municipal court	154,537	117,622
Municipal buildings	69,814	63,401
Police protection	1,483,802	962,960
Code enforcement	258,665	181,365
Fire protection	554,342	440,305
Streets	855,462	684,703
Parks	184,845	163,549
Animal control	76,083	56,535
Economic development	249,821	166,655
Interest on long-term debt	40,508	42,799
Total expenses	<u>4,668,763</u>	<u>3,439,351</u>
Increase (decrease) in net position	23,697	983,532
Net position - beginning	10,213,881	9,230,349
Net position - ending	<u>\$ 10,237,578</u>	<u>\$ 10,213,881</u>

- Sales tax revenues increased by 5.18% during the year.
- Capital grants and contributions increased 86% during the year, largely due to capital contributions received grants for the fire department
- Administration expenditures increased 25% during the year
- Police expenditures increased 54% due to adjustments related to pensions

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned 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's governmental funds reported ending fund balance of \$4,482,875. A portion of fund balance is reserved to indicate that it is not available for new spending because it has already been restricted for public safety (\$125,525) and for streets (\$445,789), and for culture and recreation (\$290,549).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,479,872 while total fund balance was \$4,066,801.

The fund balance of the City's general fund increased \$624,454 during the current fiscal year. Other factors concerning the finances of this fund have already been addressed in the analysis of the City's operations.

General Fund Budgetary Highlights – General fund actual revenues of \$4,341,891 exceeded budgeted revenues of \$4,057,780 by \$312,559. General Fund budgeted expenditures of \$4,033,014 exceeded budgeted expenditures of \$3,800,567 by \$193,870.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounts to \$7,241,188 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and infrastructure.

Capital Assets at Year-End Net of Accumulated Depreciation

	Governmental Activities	
	2019	2018
Land	\$ 371,085	\$ 371,086
Buildings	1,918,607	2,025,989
Machinery and Equipment	600,489	702,992
Infrastructure	4,351,007	4,358,737
Total	<u>\$ 7,241,188</u>	<u>\$ 7,458,804</u>

Additional information on the City of Gun Barrel City's capital assets can be found in Note C of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had a total debt of \$1,246,823. This amount is backed by the full faith and credit of the government.

Outstanding Debt at Year End Capital Lease Obligations and Note Payable

	Governmental Activities	
	2019	2018
Note payable	\$ 906,099	\$ 944,669
Capital lease	254,519	286,793
Compensated absences	64,295	61,549
Net OPEB liability	86,469	90,298
Net pension liability	(64,559)	(230,982)
Total	<u>\$ 1,246,823</u>	<u>\$ 1,152,327</u>

Additional information on the City of Gun Barrel City's long term-debt can be found in Note C of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the fiscal year 2019-2020 Budget, General fund revenues are budgeted to increase by 6.5% from the 2018-2019 budget year with business and franchise taxes making up about 90% of general fund budgeted revenues.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to 1716 W. Main Street, Gun Barrel City, Texas 76651.

Separately issued financial reports are available for the discretely presented component unit, the Gun Barrel City Economic Development Corporation. This report may be obtained by contacting the following office,

Gun Barrel City Economic Development Corporation
1720 W. Main Street
Gun Barrel City, Texas 75147

**CITY OF GUN BARREL CITY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

	Primary Government	Component
	Governmental Activities	Unit
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 3,150,954	\$ 703,488
Investments	398,137	609,426
Receivables, Net of Allowances for Uncollectible Amounts	1,194,424	544,331
Due from Primary Government	-	88,944
Land Held for Resale	-	456,131
Capital Assets:		
Non-depreciable	371,085	857,453
Depreciable (Net of Accumulated Depreciation)	6,870,103	15,453
Total Assets	<u>11,984,703</u>	<u>3,275,226</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of Resources Related to Pensions	70,351	-
Deferred outflows of Resources Related to OPEB	722	-
Total Deferred Outflows of Resources	<u>71,073</u>	<u>-</u>
LIABILITIES		
Current Liabilities		
Accounts Payable and Other Current Liabilities	97,336	7,940
Accrued Interest	11,207	7,515
Due to Component Unit	88,944	-
Noncurrent Liabilities:		
Due Within One Year	137,509	49,042
Due in More Than One Year	1,109,314	326,738
Total Liabilities	<u>1,444,310</u>	<u>391,235</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources Related to Pensions	364,358	-
Deferred Inflows of Resources Related to OPEB	9,530	-
Total Deferred Inflows of Resources	<u>373,888</u>	<u>-</u>
NET POSITION		
Invested in Capital Assets Net of Related Debt	6,080,570	497,556
Restricted for:		
Culture and Recreation	290,549	-
Public Safety	125,525	-
Streets	445,789	-
Unrestricted	3,295,145	2,386,865
Total Net Position	<u>\$ 10,237,578</u>	<u>\$ 2,884,421</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GUN BARREL CITY, TEXAS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
Primary Government						
Governmental Activities:						
Mayor and Council Administration	\$ 4,491	\$ -	\$ -	\$ -	\$ (4,491)	\$ -
City Secretary	518,025	19,732	-	14,130	(484,163)	-
Treasurer	105,035	-	-	-	(105,035)	-
Municipal Court	113,333	-	-	-	(113,333)	-
Municipal Buildings	154,537	-	-	-	(154,537)	-
Police Protection	69,814	-	-	-	(69,814)	-
Code Enforcement	1,483,802	137,622	6,295	-	(1,339,885)	-
Fire Protection	258,665	153,349	-	-	(105,316)	-
Streets	554,342	-	-	64,279	(490,063)	-
Parks	855,462	-	-	-	(855,462)	-
Animal Control	184,845	-	-	-	(184,845)	-
Economic Development	76,083	-	-	-	(76,083)	-
Interest on Long-Term Debt	249,821	-	-	-	(249,821)	-
Total Primary Government	40,508	-	-	-	(40,508)	-
	<u>4,668,763</u>	<u>310,703</u>	<u>6,295</u>	<u>78,409</u>	<u>(4,273,356)</u>	<u>-</u>
Component Unit						
Gun Barrel City Economic Development Corporation	496,491	-	-	-	-	(496,491)
Total Component Unit	<u>\$ 5,165,254</u>	<u>\$ 310,703</u>	<u>\$ 6,295</u>	<u>\$ 78,409</u>	<u>(4,273,356)</u>	<u>(496,491)</u>
General Revenues:						
Sales Taxes					3,562,219	508,889
Franchise Taxes					462,787	-
Hotel Occupancy Taxes					95,285	-
Alcohol Beverage Taxes					51,457	-
Investment Earnings					25,550	21,388
Miscellaneous					99,755	-
Total General Revenues and Transfers					<u>4,297,053</u>	<u>530,277</u>
Change in Net Position					23,697	33,786
Net Position - Beginning, Restated					10,213,881	2,850,635
Net Position - Ending					<u>\$ 10,237,578</u>	<u>\$ 2,884,421</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GN BARREL CITY, TEXAS
BALANCE SHEETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 2,758,009	\$ 392,945	\$ 3,150,954
Investments	398,137	-	398,137
Receivables (Net of Allowance for Uncollectibles)	1,164,771	29,653	1,194,424
Due From Other Funds	6,003	-	6,003
Total Assets	<u>\$ 4,326,920</u>	<u>\$ 422,598</u>	<u>\$ 4,749,518</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable and Other Current Liabilities	\$ 96,815	\$ 521	\$ 97,336
Due To Other Funds	-	6,003	6,003
Due to Component Unit	88,944	-	88,944
Total Liabilities	<u>185,759</u>	<u>6,524</u>	<u>192,283</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Municipal Court	74,360	-	74,360
Total Deferred Inflows of Resources	<u>74,360</u>	<u>-</u>	<u>74,360</u>
FUND BALANCES			
Restricted for:			
Culture and Recreation	-	290,549	290,549
Public Safety	-	125,525	125,525
Streets	445,789	-	445,789
Committed for:			
Debt Service	132,351	-	132,351
Assigned to:			
Economic Development	8,789	-	8,789
Unassigned	3,479,872	-	3,479,872
Total Fund Balances	<u>4,066,801</u>	<u>416,074</u>	<u>4,482,875</u>
Total Liabilities and Fund Balances	<u>\$ 4,326,920</u>	<u>\$ 422,598</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,241,188
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(11,207)
Deferred outflows of resources related to pension and OPEB assets not reported in the governmental funds.	(302,815)
Some of the City's revenues will be collected after year end, but are not available soon enough to pay current year's expenditures and therefore are not reported in the governmental funds balance sheet.	74,360
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Due within one year	(137,509)
Due in more than one year	(1,109,314)
Net position of governmental activities	<u>\$ 10,237,578</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GUN BARREL CITY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Sales Tax	\$ 3,562,219	\$ -	\$ 3,562,219
Franchise Tax	462,787	-	462,787
Hotel Occupancy Tax	-	95,285	95,285
Mixed Beverage Tax	51,457	-	51,457
Licenses, Permits and Fees	153,349	-	153,349
Fines and Forfeitures	101,547	3,948	105,495
Charges for Current Services	19,732	-	19,732
Revenues from Use of Money and Property	21,398	4,152	25,550
Intergovernmental	64,279	-	64,279
Contributions	-	7,044	7,044
Other Revenue	42,908	70,233	113,141
Total Revenues	<u>4,479,676</u>	<u>180,662</u>	<u>4,660,338</u>
EXPENDITURES			
Current			
Mayor and Council	4,491	-	4,491
Administration	398,369	-	398,369
City Secretary	90,472	-	90,472
Treasurer	95,952	-	95,952
Municipal	199,516	13,391	212,907
Police Department	1,208,815	-	1,208,815
Code Enforcement	219,909	-	219,909
Fire Department	463,597	2,000	465,597
Streets	847,069	-	847,069
Parks	107,392	-	107,392
Animal Control	67,540	-	67,540
Economic Development	39,395	201,588	240,983
Debt Service			
Principal Retirement	70,845	-	70,845
Interest and Fiscal Charges	41,860	-	41,860
Total Expenditures	<u>3,855,222</u>	<u>216,979</u>	<u>4,072,201</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>624,454</u>	<u>(36,317)</u>	<u>588,137</u>
Net Change in Fund Balance	624,454	(36,317)	588,137
Fund Balances - Beginning	3,442,347	452,391	3,894,738
Fund Balances - Ending	<u>\$ 4,066,801</u>	<u>\$ 416,074</u>	<u>\$ 4,482,875</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GUN BARREL CITY, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT
 OF ACTIVITIES
 YEAR ENDED SEPTEMBER 30, 2019**

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balance-total governmental funds (page 13)	\$	588,137	
Governmental funds report capital outlays as expenditures, however, in the government-wide statement of activities and changes in net assets the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current year.			438,441
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets but does not require the use of current financial resources. Therefore depreciation expense is not reported as expenditure in governmental funds.			(656,054)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
Note payable retired	\$	38,570	
Capital lease retired		<u>32,274</u>	70,844
Some revenues will not be collected for several months after the City's fiscal year end. These are not considered "available" revenues in the governmental funds until received. Change in the amount deferred on fund statements.			32,129
Expenditures are recognized in the governmental funds when paid are due for items not normally paid with available financial resources. However the Statement of Activities is presented on an accrual basis and expenses reported when incurred. This amount is the net effect of these differences:			
Compensated absences expenses	\$	(2,746)	
Pension costs, net		(436,762)	
OPEB costs, net		<u>(11,646)</u>	(451,154)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets but does not required the use of current financial resources therefore accrued interest expense is not reported as expenditures in governmental funds. Change in accrued interest.			<u>1,354</u>
Change in net position of governmental activities (page 11)	\$		<u><u>23,697</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

The City of Gun Barrel City, Texas (the "City") was incorporated May 26, 1969 under the provisions of the State of Texas. The City operates under a Home Rule Charter, with a mayor and one city council member elected at large and four council members elected from two districts. The accompanying financial statements present the City and its component unit, an entity for which the government is considering to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

The Corporation described below is included in the City's reporting entity because the City appoints the governing body and the Corporation is fiscally dependent upon the City. The Corporation is reported as a discretely presented component unit since the governing body is not substantively the same as the governing body of the City, and it provides services to the citizens of Gun Barrel City and the surrounding area as opposed to only the primary government. To emphasize that it is legally separate from the City, it is reported in a separate column in the financial statements.

Discretely Presented Component Unit. The Gun Barrel City Economic Development Corporation (Corporation) is responsible for collecting and disbursing the one-fourth percent sales tax to be used for economic development within the City. The members of the Corporation's board are appointed by the City.

Separate financial statements of the Corporation are available by contacting the Gun Barrel City Economic Development Corporation at 1720 W. Main St., Gun Barrel City, Texas 75147.

2. Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, when levied for, intergovernmental revenues, when eligibility requirements are met, and interest associated with the current fiscal year are all considered to be susceptible to accrual (measurable) and so have been recognized as revenues of the current period, if available. Available has been defined as received with sixty days of the fiscal year end. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

**CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Budgetary Information

The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted in Council chambers at City Hall to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance.

The annual budget for the general fund is prepared on the budgetary basis of accounting. Appropriations lapse at fiscal year-end. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

5. Compliance with Finance Related Legal and Contractual Provisions

The City has no material violations of finance related legal and contractual provisions, including the Texas Public Funds Investment Act.

6. Assets, liabilities, and net position or equity

Deposits and investments -

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

In accordance with GASB Statement No. 72 *Fair Value Measurement and Application*, investments are recorded at fair value. In accordance with GASB Statement 72, the City categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. A detail of the fair value hierarchy of investments held by the City are disclosed in Note B to the financial statements.

Capital assets -

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, and lighting systems), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**CITY OF GUN BARREL CITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Assets, liabilities, and net position or equity (continued)

Capital assets (continued) -

Land and construction in progress are not depreciated. Buildings, improvements, machinery, equipment and infrastructure assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	30
Improvements	10-20
Machinery and equipment	5-15
Infrastructure	10-40

Compensated absences –

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Vacation leave shall be taken during the year following its accumulation.

Deferred inflows/outflows of resources –

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category: 1) pension contributions after measurement date – these contributions are deferred and recognized in the following year, and 2) difference in projected and actual earnings on pension assets – this difference is deferred and amortized over a closed five-year period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items which qualify for reporting in this category: 1) unavailable revenue, is reported only in the governmental funds balance sheet – this amount is deferred and recognized as an inflow of resources on the period that the amount becomes available, and 2) the difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determines as of the measurement date.

**CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Assets, liabilities, and net position or equity (continued)

Pensions –

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and the Texas Emergency Services Retirement System (TESRS) and additions to/reductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and TESRS. For this purpose, plan contributions are recognized in the period 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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Long-term obligations -

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position –

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories: Net investment in capital assets, restricted net position and unrestricted net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City of through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Assets, liabilities, and net position or equity (continued)

Property Taxes -

The City has not levied property taxes since 1992. Prior to 1992, the City's property tax was levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Henderson County Tax Appraisal District based upon market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Henderson County Tax Assessor /Collector bills and collects the City's delinquent property taxes, which are due October 1.

Use of Estimates –

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

New GASB Pronouncement –

The Governmental Accounting Standards Board has issued a new pronouncement that the City has reviewed for application to their account and reporting.

GASB Statement No. 75, *Accounting and Financial Reports for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017, replaces the requirements of GASB Statements No. 45 & 57 for OPEB. The standard requires government employers to recognize a total OPEB liability in the Statement of Net Position. OPEB expense is tied to the change in total OPEB liability from year to year. OPEB expense is put in each employer's Statement of Changes in Net Position ("Operating Statement") in the government-wide financial statements. OPEB costs may be deferred and amortized over a number of years.

**CITY OF GUN BARREL CITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019**

NOTE B – DETAILED NOTES ON ALL FUNDS

1. Deposits and investments

A request for TexPool's financial statements may be made at www.texpool.com. State statutes authorize the City to invest in certificates of deposit, obligations of the U.S. Treasury, and the State Treasurer's Investment Pool.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of September 30, 2019, the City's investment in TexPool was rated AAAM by Standard & Poor's, the highest rating a local government can achieve.

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its' agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes at September 30, 2019. At year end, the bank balance of the City's deposits was \$3,542,597. The bank balances were entirely covered by federal depository insurance or by collateral held by the pledging bank's agent in the City's name.

A summary of the City's investments under the requirements of the fair value hierarchy follows:

<u>Investment Type</u>	<u>Assets at Fair Value as of September 30, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ -	\$ 396,928	\$ -	\$ 396,928
Texas Government Investment Pool	-	1,209	-	1,209
	<u>\$ -</u>	<u>\$ 398,137</u>	<u>\$ -</u>	<u>\$ 398,137</u>

Certificates of deposit categorized as Level 2 are valued by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit worthiness of the issuer. Texas government investment pool categorized as Level 2 is valued based on amortized costs, which generally approximates fair value.

**CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE B – DETAILED NOTES ON ALL FUNDS (continued)

2. Receivables

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

	General	Non-major Funds	Total
Receivables:			
Taxes	\$ 1,075,653	\$ 29,653	\$ 1,105,306
Court	119,524	-	\$ 119,524
Other	14,757	-	14,757
Gross receivables	1,209,934	29,653	1,239,587
Less: allowance for uncollectables	(45,163)	-	(45,163)
Net total receivables	<u>\$ 1,164,771</u>	<u>\$ 29,653</u>	<u>\$ 1,194,424</u>

3. Capital assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 371,085	\$ -	\$ -	\$ 371,085
Total capital assets not being depreciated	<u>371,085</u>	<u>-</u>	<u>-</u>	<u>371,085</u>
Capital assets being depreciated:				
Buildings	3,050,629	-	-	3,050,629
Machinery and equipment	3,232,674	96,498	-	3,329,172
Infrastructure	6,562,300	341,943	-	6,904,243
Totals capital assets being depreciated	<u>12,845,603</u>	<u>438,441</u>	<u>-</u>	<u>13,284,044</u>
Less accumulated depreciation for:				
Buildings	(1,024,640)	(107,380)	-	(1,132,020)
Machinery and equipment	(2,529,682)	(199,003)	-	(2,728,685)
Infrastructure	(2,203,565)	(349,671)	-	(2,553,236)
Total accumulated depreciation	<u>(5,757,887)</u>	<u>(656,054)</u>	<u>-</u>	<u>(6,413,941)</u>
Total capital assets, being depreciated, net	<u>7,087,716</u>	<u>(217,613)</u>	<u>-</u>	<u>6,870,103</u>
Governmental activities capital assets, net	<u>\$ 7,458,801</u>	<u>\$ (217,613)</u>	<u>\$ -</u>	<u>\$ 7,241,188</u>

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

CITY OF GUN BARREL CITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

NOTE B – DETAILED NOTES ON ALL FUNDS (continued)

3. Capital assets (continued)

Governmental activities:	
Administration	\$ 95,359
Police Protection	63,650
Code Enforcement	2,077
Fire Protection	112,065
Streets	292,728
Parks	81,339
Economic Development	8,836
Total depreciation expense - governmental activities	<u>\$ 656,054</u>

4. Interfund receivables and payables

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Non-major governmental funds	\$ 6,003
		<u>\$ 6,003</u>

These balances resulted from the lag time between the dates that transactions are recorded in the accounting system and payments between funds are made.

5. Leases

The City is purchasing a fire truck under a lease purchase agreement. The interest on the lease is 5.18% and the lease matures on October 30, 2025.

The asset acquired through the capital lease is as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and equipment	\$ 419,754
Less: accumulated depreciation	(146,914)
Total	<u>\$ 272,840</u>

CITY OF GUN BARREL CITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

NOTE B – DETAILED NOTES ON ALL FUNDS (continued)

5. Leases (continued)

Annual debt service requirements to maturity are as follows:

Year Ending September 30	Governmental Activities	
	Capital Lease Obligations	
	Principal	Interest
2020	\$ 33,236	\$ 7,585
2021	34,227	6,594
2022	35,247	5,574
2023	36,297	4,524
2024	37,378	3,442
Thereafter	78,134	3,509
	<u>\$ 254,519</u>	<u>\$ 31,228</u>

6 Long-term debt

Notes Payable –

The note payable currently outstanding and reported as a liability of the City's governmental activities is summarized as follows:

<u>Note Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>	<u>Collateral</u>
\$ 1,400,000	5/10/2036	3.55%	\$ 906,099	Certificates of Deposit
			<u>\$ 906,099</u>	

The terms of the note are for 25 years, with interest only payable quarterly during the 12-month construction term, then 96 quarterly payments of \$21,728.38, payments subject to change due to rate changes. The interest rate is 3.55% fixed until 11/30/2021 then Wall Street Journal Prime minus .25 adjusted on 11/30/2021 and each 11/30 thereafter with a floor of 3.55% and a ceiling of 8.00%.

**CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE B – DETAILED NOTES ON ALL FUNDS (continued)

6. Long-term debt (continued)

Annual debt service requirements to maturity are as follows –

Year Ending September 30	Governmental Activities	
	Note Payable	
	Principal	Interest
2020	\$ 39,978	\$ 31,906
2021	41,436	30,448
2022	42,948	28,936
2023	44,515	37,269
2024	46,139	25,745
2025-2029	258,103	102,215
2030-2034	307,669	51,750
2035-2035	125,311	4,422
	<u>\$ 906,099</u>	<u>\$ 312,691</u>

Net Pension Liability –

The net pension liability represents the liability for employees for projected pension benefit payments to be provided to current active and inactive employees that is attributed to those employee’s past periods of service less the amount of the pension plan’s fiduciary net position.

Changes in long-term liabilities –

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balances	Due Within One Year
Governmental activities:					
Note payable	\$ 944,669	\$ -	\$ (38,570)	\$ 906,099	\$ 39,978
Capital lease	286,793	-	(32,274)	254,519	33,236
Net pension liability	(230,982)	166,423	-	(64,559)	-
Net OPEB liability	90,298	-	(3,829)	86,469	-
Compensated absences	61,549	70,031	(67,285)	64,295	64,295
Governmental activity Long-term liabilities	<u>\$ 1,152,327</u>	<u>\$ 236,454</u>	<u>\$ (141,958)</u>	<u>\$ 1,246,823</u>	<u>\$ 137,509</u>

Governmental capital lease obligations, note payable, net pension liability and compensated absences will be liquidated by the general fund.

**CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE C – OTHER INFORMATION (continued)

2. Commitments

On February 25, 2014, the City entered into a 380 agreement with the Hometown Cinemas, LLC ("Developer") and the Gun Barrel City Economic Development Corporation. Under the agreement, the City agrees to pay the Developer one hundred percent (100%) of the Sales and Use Tax, and Sales Tax for Property Tax Relief, at a combined rate of one and one-half percent (1.50%) generated by and attributed solely to the sales at the Property in the event that the aggregate of the Sales and Use Tax, Sales Tax for Property Tax Relief, Street Maintenance Sales and Use Tax, and Type B Sales and Use Tax, at the combined rate of two percent (2%) generated by and attributed solely to sales from the Property in the applicable one (1) year period, and received from the State Comptroller by the City, equal or exceed twenty-one thousand dollars (the equivalent of \$1,050,000 in taxable sales at the Property). If less than this amount, the City is not obligated to make any payments to the Developer for sales attributable to the Property).

On January 27, 2015, the City entered into a 380 agreement with the GBC TC LLC ("Developer"). Under the agreement, the City agrees to pay the Developer fifty percent (50%) of the Sales and Use Tax generated by and attributed solely to sales from the Property in the applicable one (1) year period and received from the State Comptroller by the City.

On January 27, 2015, the City entered into a 380 agreement with the Flying Chicken, Inc. ("Developer"). Under the agreement, the City agrees to pay the Developer fifty percent (50%) of the Sales and Use Tax generated by and attributed solely to sales from the Property in the applicable one (1) year period and received from the State Comptroller by the City.

3. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

4. Economic Dependence

A material part of the City's revenues are dependent on two taxpayers, the loss of which could have a material effect on the City. For the year ended September 30, 2019, approximately 43% of sales tax representing approximately 34% of total general fund revenues were attributable to these taxpayers.

**CITY OF GUN BARREL CITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019**

NOTE C – OTHER INFORMATION (continued)

5. Texas Municipal Retirement System

Plan Description –

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

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 actuarially equivalent payment 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.

At the date the plan began, the City granted monetary credits for service rendered before the plan began a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

A summary of plan provisions for the City are as follows:

Employee deposit rate	5.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20
Updated service credit	100% repeating transfers
Annuity increase (to retirees)	0% of CPI

**CITY OF GUN BARREL CITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019**

NOTE C – OTHER INFORMATION (continued)

5. Texas Municipal Retirement System (continued)

Employees covered by benefit terms –

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	42
Active employees	39
	103

Contributions –

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, used the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortized the unfunded (overfunded) actuarial liability (asset) over the applicable period for the city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes in effect.

Net Pension Liability:

The City's Net Pension Liability (NPL) was measured as of December 31, 2018 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.50% per year
Investment Rate of Return	6.75%, net pension plan investment expense, including inflation

**CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE C – OTHER INFORMATION (continued)

5. Texas Municipal Retirement System (continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2018, valuation was based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2011 through 2013 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimated 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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 contributions will remain at the current 7% 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 plan 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.

CITY OF GUN BARREL CITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

NOTE C – OTHER INFORMATION (continued)

5. Texas Municipal Retirement System (continued)

Changes in the Net Pension Liability –

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
	(a)	(b)	(a) - (b)
Balance at 12/31/17	\$ 3,181,432	\$ 3,414,574	\$ (233,142)
Changes for the year:			
Service cost	173,945	-	173,945
Interest	216,155	-	216,155
Change in benefit terms	-	-	-
Difference between expected and actual experience	(137,778)	-	(137,778)
Changes in assumptions	-	-	-
Contributions - employer	-	106,389	(106,389)
Contributions - employee	-	83,467	(83,467)
Net investment income	-	(102,088)	102,088
Benefit payments, including rentals of employee contributions	(132,220)	(132,220)	-
Administrative expense	-	(1,977)	1,977
Other changes	-	(103)	103
Net Changes	<u>120,102</u>	<u>(46,532)</u>	<u>166,634</u>
Balance at 12/31/18	<u>\$ 3,301,534</u>	<u>\$ 3,368,042</u>	<u>\$ (66,508)</u>

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

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

	1% Decrease in <u>Discount Rate</u>	Current <u>Discount Rate</u>	1% Increase in <u>Discount Rate</u>
City's net pension liability	\$ 423,552	\$ (66,508)	\$ (465,645)

**CITY OF GUN BARREL CITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019**

NOTE C – OTHER INFORMATION (continued)

5. Texas Municipal Retirement System (continued)

Pension Plan Fiduciary Net Position –

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2019, the City recognized pension expense of \$95,672. This amount is included as part of Personal Services expenses within the functional program activities.

At September 30, 2019, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual investment earnings	\$ -	\$ 98,300
Differences between actuarial assumptions and actual experience		266,058
Contributions subsequent to the measurement date	<u>69,277</u>	<u>-</u>
Total	<u>\$ 69,277</u>	<u>\$ 364,358</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$69,277 will be recognized as a reduction of the net pension liability for the measurement year ending August 31, 2020 (i.e. recognized in the city’s financial statements September 30, 2020). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year ended Dec 31	
<u>2019</u>	\$ (80,038)
2020	(109,319)
2021	4,349
2022	66,516
2023	-
Thereafter	-
	<u>\$ (118,492)</u>

**CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE C – OTHER INFORMATION (continued)

6. Texas Emergency Services Retirement System

Plan Description –

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. Of the nonmember 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 investment, or pension administration. At August 31, 2018, there were 238 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

At August 31, 2018 TESRS membership consisted of:

Retirees or beneficiaries currently receiving benefits	3,533
Terminated participants entitled to benefits but not yet receiving them	1,927
Active participants (vested and nonvested)	3,927

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified 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 the 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 or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

**CITY OF GUN BARREL CITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019**

NOTE C – OTHER INFORMATION (continued)

6. Texas Emergency Services Retirement System (continued)

Contribution provisions were established by S.B. 411, 65th Legislature, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month for each active member and may contribute more. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make annual contributions to make TESRS actuarially sound.

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2018 total contributions (dues and prior service) of \$4,098,835 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,329,224 for the fiscal year ending August 31, 2018.

The purpose of the biennial actuarial valuation is to test the adequacy of the contribution arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2018 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. On August 31, 2018 the actuarial liabilities exceeded the actuarial assets by \$21,650,451.

City's proportionate share of net pension liability	1,949
State's proportionate share that is associated with the City Total	194
	<u>2,143</u>

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 963	\$ -
Difference between expected and actual investment earnings	161	-
Total	<u>\$ 1,124</u>	<u>\$ -</u>

**CITY OF GUN BARREL CITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019**

NOTE C – OTHER INFORMATION (continued)

6. Texas Emergency Services Retirement System (continued)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$963 will be recognized as a reduction of the net pension liability for the measurement year ending August 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year ended Dec 31		
2019	\$	50
2020		50
2021		50
2022		11
2023		-
Thereafter		-
	<u>\$</u>	<u>161</u>

Actuarial assumptions –

The Total Pension Liability in the August 31 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	August 31, 2018
Inflation	3.00% per year
Salary Increases	N/A
Investment Rate of Return	7.75%, net pension plan investment expense, including inflation

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, 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 (6.75) or 1-percentage-point higher (8.75) than the current rate:

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
City's net pension liability	\$ 3,872	\$ 1,949	\$ 651

**CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE C – OTHER INFORMATION (continued)

7. Other Postemployment Benefit (OPEB) Obligations

Plan Description –

Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits 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 member, including or not including retirees. The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn’t meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single-employer, defined benefit OPEB plan. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

Benefits Provided –

The death benefit for activity employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 13-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500.

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

Employees covered by benefit terms –

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	9
Active employees	39
	<hr/>
	58
	<hr/>

**CITY OF GUN BARREL CITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019**

NOTE C – OTHER INFORMATION (continued)

7. Other Postemployment Benefit (OPEB) Obligations (continued)

Total OPEB liability –

The City’s total OPEB liability of \$86,469 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs –

The total OPEB liability in the December 31, 2018 actuarial valuation was determine using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.50%
Salary increases	3.50% to 10.50%, including inflation
Discount rate*	3.71%
Retirees’ share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statements No. 68.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiples by 109% and female rates multiplies by 103% and projected on a fully generational basis with scale BB/
Mortality rates – disables retirees	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 discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2018.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

CITY OF GUN BARREL CITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

NOTE C – OTHER INFORMATION (continued)

7. Other Postemployment Benefit (OPEB) Obligations (continued)

Changes in the Total OPEB Liability –

	Total OPEB Liability
Balance at 12/31/17	\$ 90,298
Changes for the year:	
Service cost	5,175
Interest	3,063
Difference in expected and actual	(4,947)
Changes in assumptions	(6,452)
Benefit payments**	(668)
Net Changes	<u>(3,829)</u>
Balance at 12/31/18	<u>\$ 86,469</u>

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Sensitivity of the total OPEB liability to changes in the discount rate –

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease in Discount Rate	Current Discount Rate	173325 Discount Rate
Total OPEB liability	\$ 103,888	\$ 86,469	\$ 72,841

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended September 30, 2019, the City recognized OPEB expense of \$7,542. At September 30, 2019, the City reported deferred outflows of resources and related OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 722	\$ -
Differences between actuarial assumptions and actual experience	-	4,136
Changes in actuarial assumptions used	-	5,394
Total	<u>\$ 722</u>	<u>\$ 9,530</u>

**CITY OF GUN BARREL CITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019**

NOTE C – OTHER INFORMATION (continued)

7. Other Postemployment Benefit (OPEB) Obligations (continued)

Deferred inflows of resources related to OPEB resulting from contributions subsequent to the measurement date of \$4,136 will be recognized in the city's financial statements September 30, 2020).

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Year Ended Dec 31	
2019	\$ (696)
2020	(696)
2021	(696)
2022	(696)
2023	(1,751)
Thereafter	(185)
	<u>\$ (4,720)</u>

NOTE D – DISCRETELY PRESENTED COMPONENT UNIT – GUN BARREL CITY ECONOMIC DEVELOPMENT CORPORATION, INC. (CORPORATION)

1. Deposits and investments

At year end, the bank balance of the Corporation's deposits was \$713,753. The bank balances were entirely covered by federal depository insurance or by collateral held by the pledging bank's agent in the Corporation's name.

A summary of the Corporation's investments under the requirements of the fair value hierarchy follows:

<u>Investment Type</u>	<u>Assets at Fair Value as of September 30, 2018</u>			
	Level 1	Level 2	Level 3	Total
Texas Government Investment Pool	\$ -	\$ 609,426	\$ -	\$609,426
	<u>\$ -</u>	<u>\$ 609,426</u>	<u>\$ -</u>	<u>\$609,426</u>

2. Receivables

The Corporation loans funds at a reduced interest rate to qualifying businesses as an economic incentive. Repayment of the loans is on a monthly installment basis with maturities from 60 to 120 months and an interest rate of 2%. During the year ended September 30, 2019, the Corporation made loans totaling \$125,000 to local businesses.

CITY OF GUN BARREL CITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

NOTE D – DISCRETELY PRESENTED COMPONENT UNIT – GUN BARREL CITY ECONOMIC
 DEVELOPMENT CORPORATION, INC. (CORPORATION) (continued)

2. Receivables (continued)

Principal maturities of long-term notes receivable are as follows for the years ended September 30, 2019:

2020	\$ 55,910
2021	63,448
2022	65,029
2023	65,735
2024	67,296
Thereafter	<u>226,913</u>
	<u>\$ 544,331</u>

3. Capital assets

Capital asset activity for the Corporation for the year ended September 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 847,453	\$ -	\$ -	\$ 847,453
Construction in progress	-	10,000	-	10,000
Total capital assets not being depreciated	<u>847,453</u>	<u>10,000</u>	<u>-</u>	<u>857,453</u>
Capital assets being depreciated:				
Machinery and equipment	6,258	-	-	6,258
Improvements	16,346	-	-	16,346
Totals capital assets being depreciated	<u>22,604</u>	<u>-</u>	<u>-</u>	<u>22,604</u>
Less accumulated depreciation for:				
Machinery and equipment	(3,717)	(462)	-	(4,179)
Improvements	(1,452)	(1,090)	-	(2,542)
Total accumulated depreciation	<u>(5,169)</u>	<u>(1,552)</u>	<u>-</u>	<u>(6,721)</u>
Total capital assets, being depreciated, net	<u>17,435</u>	<u>(1,552)</u>	<u>-</u>	<u>15,883</u>
Governmental activities capital assets, net	<u>\$ 864,888</u>	<u>\$ 8,448</u>	<u>\$ -</u>	<u>\$ 873,336</u>

Depreciation expense for the year ended September 30, 2019 was \$1,552.

**CITY OF GUN BARREL CITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019**

NOTE D – DISCRETELY PRESENTED COMPONENT UNIT – GUN BARREL CITY ECONOMIC DEVELOPMENT CORPORATION, INC. (CORPORATION) (continued)

4. Long-term debt

The Corporation has a note payable with a financial institution in the amount of \$375,780 which an original note amount of \$514,500. The note bears interest at 3% annually and matures in 2022. The note was issued for the purchase of land.

Annual debt service requirements to maturity are as follows –

Year Ending September 30	Note Payable	
	Principal	Interest
2020	\$ 49,042	\$ 11,273
2021	50,513	9,802
2022	52,028	8,287
2023	53,589	6,726
2024	55,197	5,118
2025-2028	115,411	5,219
	<u>\$ 375,780</u>	<u>\$ 46,425</u>

5. Land Held for Resale

The Corporation acquired a tract of land to develop industry in the City. The properties held for resale are recorded at cost. Land held for resale is offset by a reservation of fund balance in the governmental funds financial statements.

6. Economic Dependence

A material part of the Corporation’s revenues are dependent on two taxpayers, the loss of which could have a material effect on the City. For the year ended September 30, 2019, approximately 43% of sales tax representing approximately 42% of total general fund revenues were attributable to these taxpayers.

7. Risk Management

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

8. Related Party Transactions

The City leases office space to the Corporation at City Hall.

NOTE E – SUBSEQUENT EVENTS

The City has evaluated subsequent events through February 3, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GUN BARREL CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET VS ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Original Budgeted Amounts	Final Budgeted Amounts	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget - Over (Under) Budget
REVENUES						
Sales Tax	\$ 3,289,486	\$ 3,317,914	\$ 3,562,219	\$ (62,606)	\$ 3,499,613	\$ 210,127
Franchise Tax	372,176	372,196	462,787	(10,490)	452,297	80,121
Mixed Beverage Tax	45,551	45,551	51,457	2,427	53,884	8,333
Licenses, Permits and Fees	106,354	106,354	153,349	-	153,349	46,995
Fines and Forfeitures	158,462	158,462	101,547	(2,293)	99,254	(59,208)
Charges for Current Services	17,236	17,236	19,732	-	19,732	2,496
Revenues from Use of Money and Property	5,880	5,880	21,398	(3,694)	17,704	11,824
Intergovernmental	2,700	2,700	64,279	(61,129)	3,150	450
Other Revenue	31,487	31,487	42,908	-	42,908	11,421
Total Revenues	<u>4,029,332</u>	<u>4,057,780</u>	<u>4,479,676</u>	<u>(137,785)</u>	<u>4,341,891</u>	<u>312,559</u>
EXPENDITURES						
Current						
Mayor and Council	4,000	4,000	4,491	-	4,491	491
Administration	424,407	426,033	398,369	-	398,369	(26,038)
City Secretary	86,588	87,328	90,472	-	90,472	3,884
Treasurer	96,310	97,204	95,952	-	95,952	(358)
Municipal	197,863	225,020	199,516	-	199,516	1,653
Police Department	1,246,922	1,259,501	1,208,815	(3,708)	1,205,107	(41,815)
Code Enforcement	269,036	235,337	219,909	-	219,909	(49,127)
Fire Department	401,487	410,674	463,597	(60,918)	402,679	1,192
Streets	980,753	998,066	847,069	9,971	857,040	(123,713)
Parks	107,063	107,792	107,392	-	107,392	329
Animal Control	67,303	69,354	67,540	-	67,540	237
Economic Development	39,395	39,395	39,395	-	39,395	-
Debt Service						
Principal Retirement	71,127	71,127	70,845	-	70,845	(282)
Interest and Fiscal Charges	41,578	41,578	41,860	-	41,860	282
Total Expenditures	<u>4,033,832</u>	<u>4,072,409</u>	<u>3,855,222</u>	<u>(54,655)</u>	<u>3,800,567</u>	<u>(233,265)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,500)</u>	<u>(14,629)</u>	<u>624,454</u>	<u>(83,130)</u>	<u>541,324</u>	<u>545,824</u>
Net Change in Fund Balance	<u>\$ (4,500)</u>	<u>\$ (14,629)</u>	<u>\$ 624,454</u>	<u>\$ (83,130)</u>	<u>\$ 541,324</u>	<u>\$ 545,824</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GUN BARREL CITY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN CALENDAR YEARS (will ultimately be displayed)
(Unaudited)**

	Measurement Year				
	2014	2015	2016	2017	2018
Total pension liability:					
Service cost	\$ 155,794	\$ 171,115	\$ 177,341	\$ 170,086	\$ 173,945
Interest	186,149	200,617	209,202	225,640	216,155
Changes of benefit terms	-	-	-	54,796	-
Difference between expected and actual experience	(4,605)	(83,831)	(31,812)	(372,861)	(137,778)
Change in assumptions	-	82,314	-	-	-
Benefit payments, including refunds of employee contributions	(123,011)	(153,625)	(126,356)	(198,399)	(132,220)
Net change in total pension liability	214,327	216,590	228,375	(120,738)	120,102
Total pension liability - beginning	2,642,878	2,857,205	3,073,795	3,302,170	3,181,432
Total pension liability - ending (a)	2,857,205	3,073,795	3,302,170	3,181,432	3,301,534
Plan fiduciary net position:					
Contributions - employer	86,857	95,709	93,899	104,627	106,389
Contributions - employee	82,991	87,571	85,178	84,118	83,467
Net investment income	145,853	4,044	187,346	417,226	(102,088)
Benefit payments, including refunds of employee contributions	(123,011)	(153,625)	(126,356)	(198,399)	(132,220)
Administrative expense	(1,523)	(2,463)	(2,115)	(2,161)	(1,977)
Other	(125)	(121)	(114)	(110)	(103)
Net change in plan fiduciary net position	191,042	31,115	237,838	405,301	(46,532)
Plan fiduciary net position - beginning	2,549,278	2,740,320	2,771,435	3,009,273	3,414,574
Plan fiduciary net position - ending (b)	2,740,320	2,771,435	3,009,273	3,414,574	3,368,042
Net pension liability - ending (a) - (b)	\$ 116,885	\$ 302,360	\$ 292,897	\$ (233,142)	\$ (66,508)
Plan fiduciary net position as a percentage of total pension liability	95.91%	90.16%	91.13%	107.33%	102.01%
Covered employee payroll	\$ 1,659,825	\$ 1,751,429	\$ 1,703,567	\$ 1,682,354	\$ 1,669,335
Net pension liability as a percentage of covered employee payroll	7.04%	17.26%	17.19%	-13.86%	-3.98%

**CITY OF GUN BARREL CITY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (will ultimately be displayed)
(Unaudited)**

Fiscal Year	(1) Actuarially determined contribution	(2) Contribution in relation to the actuarially determined contribution	(3) = (2) - (1) Contribution excess (deficiency)	(4) Covered Payroll	(5) = (2)/(4) Contributions as a percentage of covered employee payroll
2015	\$ 96,044	\$ 96,044	\$ -	\$ 1,659,825	5.8%
2016	96,440	96,440	-	1,751,429	5.5%
2017	93,899	93,899	-	1,703,567	2.6%
2018	104,627	104,627	-	1,682,357	6.2%
2019	106,389	106,389	-	1,669,335	6.4%

Note to Schedule:

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31st each year and become effective in January, 12 months and a day later.

Methods and Assumptions Used to Determine Contribution Rate for 2018:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% 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 bases with scale BB.

**CITY OF GUN BARREL CITY, TEXAS
REQUIRED SUPPLEMENTARY SCHEDULES
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED AUGUST 31, 2018 (ultimately ten years will be displayed)
(Unaudited)**

Fiscal year ending August 31,*	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	0.009%	0.009%	0.009%	0.013%	0.025%
City's Proportionate Share of Net Pension Liability	\$ 1,949	\$ 2,160	\$ 2,622	\$ 3,470	\$ 4,543
States Proportionate Share of the Net Pension Liability associated with the City	370	215	228	325	570
Total	<u>\$ 2,319</u>	<u>\$ 2,375</u>	<u>\$ 2,850</u>	<u>\$ 3,795</u>	<u>\$ 5,113</u>
City's Covered Employee Payroll	\$ 241,398	\$ 241,005	\$ 234,194	\$ 228,701	\$ 135,817
City's Proportionate Share of the Net Pension Liability as a percentage of its Covered Employee Payroll	0.81%	0.90%	1.12%	1.52%	3.34%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	84.04%	76.90%	76.30%	76.90%	83.50%

*The amounts presented above are as of the measurement date of the collective net pension liability.

**CITY OF GUN BARREL CITY, TEXAS
REQUIRED SUPPLEMENTARY SCHEDULES
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
SCHEDULE OF THE CITY CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30 2019 (ultimately ten years will be displayed)
(Unaudited)**

Fiscal year ending September 30,*	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 963	\$ 441	\$ 432	\$ 432	\$ 612
Contribution in Relation to the Contractually Required Contribution	(963)	(441)	(432)	(432)	(612)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Employee Payroll	\$ 241,398	\$ 241,005	\$ 234,194	\$ 228,701	\$ 135,817
Contributions as a percentage of Covered Employee Payroll	0.40%	0.18%	0.18%	0.19%	0.45%

*The amounts presented above are as of the City's most recent fiscal year end.

**CITY OF GUN BARREL CITY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
LAST TEN CALENDAR YEARS (will ultimately be displayed)
(Unaudited)**

	Measurement Year	
	2017	2018
Total OPEB liability		
Service cost	\$ 4,711	\$ 5,175
Interest (on the Total OPEB Liability)	2,952	3,063
Change in assumptions and other input	7,156	(6,452)
Difference between expected and actual	-	(4,947)
Benefit payments	(505)	(668)
Net change in Total OPEB liability	14,314	(3,829)
Total OPEB liability - beginning	75,984	90,298
Total OPEB liability - ending	90,298	86,469
Covered employee payroll	\$ 1,682,354	\$ 1,669,335
OPEB liability as a percentage of covered employee payroll	5.37%	5.18%

Notes to Schedule –

Note 1 – No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB State No. 75 to pay related benefits.

Note 2 – The actuarial assumptions and other inputs used to calculate the total OPE liability are described in note 4.D to the financial statements.

Note 3 – Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer’s yearly contributions for retirees.

COMBINING AND INDIVIDUAL NONMAJOR FUND STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to be used for specified purposes.

The *Volunteer Fire Department Fund* is used to account for donations received to benefit the volunteer fire department.

The *Parks Special Fund* is used to account for sign advertising revenue that is restricted for development of City parks. The general operations and maintenance of the parks is accounted for within the general fund.

The *Police Special Fund* is used to account for donations received to benefit the police department.

The *Court Security Fund* is used to account for the revenues collected to provide security services for buildings housing a municipal court.

The *Court Time Payment Fees Fund* is used to account for revenues that are to be used for the efficiency of judicial administration.

The *Court Technology Fund* is used to account for revenues that are to be used for technological enhancements to the municipal court.

The *Law Enforcement Education Fund* is used to account for revenues received to provide law enforcement training and education.

The *Forfeited Contraband Fund* is used to account for seized property to be used for official purposes as provided by Article 59.06 Texas Code of Criminal Procedure.

The *Tourism Fund* is used to account for hotel occupancy taxes received to be used for historic preservation and tourism promotion as authorized by statute.

The *Festivals Fund* is used to account for revenue and expenditures of the annual festival.

CITY OF GUN BARREL CITY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2019

	Volunteer Fire Department	Parks Special	Police Special	Court Security	Court Time Payment Fees	Court Technology	Law Enforcement Education	Forfeited Contraband	Tourism	Festivals	Totals
ASSETS											
Cash and Cash Equivalents	\$ 9,455	\$ 1,826	\$ 1,249	\$ 70,100	\$ 8,161	\$ 7,668	\$ 19,395	\$ 9,497	\$ 211,195	\$ 54,399	\$ 392,945
Receivables (Net of Allowance for Uncollectibles)	-	-	-	-	-	-	-	-	29,653	-	29,653
Due From Other Funds	-	-	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 9,455</u>	<u>\$ 1,826</u>	<u>\$ 1,249</u>	<u>\$ 70,100</u>	<u>\$ 8,161</u>	<u>\$ 7,668</u>	<u>\$ 19,395</u>	<u>\$ 9,497</u>	<u>\$ 240,848</u>	<u>\$ 54,399</u>	<u>\$ 422,598</u>
LIABILITIES											
Accounts Payable and Other Current Liabilities	\$ -	\$ 521	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 521
Due to Other Funds	-	-	-	-	-	-	-	-	-	6,003	6,003
Total Liabilities	<u>-</u>	<u>521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,003</u>	<u>6,524</u>
FUND BALANCES											
Restricted For:											
Unassigned	9,455	1,305	1,249	70,100	8,161	7,668	19,395	9,497	240,848	48,396	416,074
Total Fund Balance	<u>9,455</u>	<u>1,305</u>	<u>1,249</u>	<u>70,100</u>	<u>8,161</u>	<u>7,668</u>	<u>19,395</u>	<u>9,497</u>	<u>240,848</u>	<u>48,396</u>	<u>416,074</u>
Total Liabilities and Fund Balance	<u>\$ 9,455</u>	<u>\$ 1,826</u>	<u>\$ 1,249</u>	<u>\$ 70,100</u>	<u>\$ 8,161</u>	<u>\$ 7,668</u>	<u>\$ 19,395</u>	<u>\$ 9,497</u>	<u>\$ 240,848</u>	<u>\$ 54,399</u>	<u>\$ 422,598</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GUN BARREL CITY, TEXAS
 COMBINING STATEMENT OF REVEUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Volunteer Fire Department	Parks Special	Police Special	Court Security	Court Time Payment Fees	Court Technology	Law Enforcement Education	Forfeited Contraband	Tourism	Festivals	Totals
REVENUES											
Hotel Occupancy Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95,285	\$ -	\$ 95,285
Fines and Forfeitures	-	-	-	1,462	541	1,945	-	-	-	-	3,948
Investment Earnings	23	6	3	588	31	26	79	52	2,613	731	4,152
Other	-	-	500	-	-	-	2,507	-	-	67,226	70,233
Contributions and Donations	3,250	750	3,044	-	-	-	-	-	-	-	7,044
Total Revenues	<u>\$ 3,273</u>	<u>\$ 756</u>	<u>\$ 3,547</u>	<u>\$ 2,050</u>	<u>\$ 572</u>	<u>\$ 1,971</u>	<u>\$ 2,586</u>	<u>\$ 52</u>	<u>\$ 97,898</u>	<u>\$ 67,957</u>	<u>\$ 180,662</u>
EXPENDITURES											
Current (Operating)											
Municipal	\$ -	\$ -	\$ 2,700	\$ -	\$ -	\$ -	\$ 897	\$ 9,794	\$ -	\$ -	\$ 13,391
Fire Protection	2,000	-	-	-	-	-	-	-	-	-	2,000
Economic Development	-	-	-	-	-	-	-	-	110,274	91,314	201,588
Total Expenditures	<u>2,000</u>	<u>-</u>	<u>2,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>897</u>	<u>9,794</u>	<u>110,274</u>	<u>91,314</u>	<u>216,979</u>
OTHER FINANCING SOURCES											
Transfers In (Out)	-	-	-	-	-	-	-	-	(12,600)	12,600	-
Net Change in Fund Balance	<u>1,273</u>	<u>756</u>	<u>847</u>	<u>2,050</u>	<u>572</u>	<u>1,971</u>	<u>1,689</u>	<u>(9,742)</u>	<u>(24,976)</u>	<u>(10,757)</u>	<u>(36,317)</u>
Fund Balances- Beginning	<u>8,182</u>	<u>549</u>	<u>402</u>	<u>68,050</u>	<u>7,589</u>	<u>5,697</u>	<u>17,706</u>	<u>19,239</u>	<u>265,824</u>	<u>59,153</u>	<u>452,391</u>
Fund Balances - Ending	<u>\$ 9,455</u>	<u>\$ 1,305</u>	<u>\$ 1,249</u>	<u>\$ 70,100</u>	<u>\$ 8,161</u>	<u>\$ 7,668</u>	<u>\$ 19,395</u>	<u>\$ 9,497</u>	<u>\$ 240,848</u>	<u>\$ 48,396</u>	<u>\$ 416,074</u>

The accompanying notes are an integral part of these financial statements.