

CITY OF GUN BARREL CITY, TEXAS

ANNUAL FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

CITY OF GUN BARREL CITY, TEXAS  
 FINANCIAL STATEMENTS  
 YEAR ENDED SEPTEMBER 30, 2017  
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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **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, 2017, 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 41 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*

Misty Culpepper, CPA, PLLC  
Certified Public Accountant

March 15, 2018

# 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, 2017.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Gun Barrel City exceeded its liabilities at the close of the most recent fiscal year by \$9,313,982 (Net Position).
- The City's total net position increased by \$520,951.
- As of the close of the current fiscal year, the City of Gun Barrel City's general fund reported ending fund balance of \$3,238,068.

### 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 \$9,313,982 as of September 30, 2017.

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.

|                                  | <b>Governmental Activities</b> |                     |
|----------------------------------|--------------------------------|---------------------|
|                                  | <u>2017</u>                    | <u>2016</u>         |
| Current and other assets         | \$ 3,888,105                   | \$ 4,011,670        |
| Capital assets                   | 7,205,859                      | 6,794,728           |
| Total assets                     | <u>11,093,964</u>              | <u>10,806,398</u>   |
| Deferred Outflows of Resources   | <u>83,420</u>                  | <u>308,797</u>      |
| Long term liabilities            | 1,659,010                      | 1,802,010           |
| Other liabilities                | 179,769                        | 451,097             |
| Total liabilities                | <u>1,838,779</u>               | <u>2,253,107</u>    |
| Deferred Inflows of Resources    | <u>25,471</u>                  | <u>69,054</u>       |
| Net position:                    |                                |                     |
| Net investment in capital assets | 5,905,547                      | 5,367,316           |
| Restricted                       | 1,040,691                      | 1,073,621           |
| Unrestricted                     | 2,367,744                      | 2,352,094           |
| Total net position               | <u>\$ 9,313,982</u>            | <u>\$ 8,793,031</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, 2017.

|                                     | Governmental Activities |                     |
|-------------------------------------|-------------------------|---------------------|
|                                     | 2017                    | 2016                |
| Revenues:                           |                         |                     |
| Program revenues:                   |                         |                     |
| Charges for services                | \$ 332,726              | \$ 347,712          |
| Operating grants and contributions  | 23,438                  | 21,742              |
| Capital grants and contributions    | 535,225                 | 38,519              |
| General revenues:                   |                         |                     |
| Sales tax                           | 3,296,983               | 3,132,735           |
| Franchise tax                       | 419,445                 | 401,021             |
| Hotel occupancy tax                 | 81,155                  | 87,082              |
| Alcoholic beverage taxes            | 43,534                  | 37,662              |
| Investment earnings                 | 10,438                  | 6,107               |
| Gain on sale of assets              | -                       | 106,852             |
| Miscellaneous                       | 47,071                  | 104,827             |
| Total revenues                      | <u>4,790,015</u>        | <u>4,284,259</u>    |
| Expenses:                           |                         |                     |
| Mayor and council                   | 2,791                   | 635                 |
| Administration                      | 700,117                 | 440,013             |
| City secretary                      | 90,679                  | 120,923             |
| Treasurer                           | 102,687                 | 104,316             |
| Municipal court                     | 134,739                 | 117,279             |
| Municipal buildings                 | 73,899                  | 95,264              |
| Police protection                   | 1,270,933               | 1,225,587           |
| Code enforcement                    | 86,505                  | 110,564             |
| Building inspections                | 162,723                 | 117,738             |
| Fire protection                     | 485,133                 | 486,031             |
| Streets                             | 743,090                 | 1,130,224           |
| Parks                               | 158,449                 | 145,851             |
| Animal control                      | 56,565                  | 54,070              |
| Economic development                | 142,236                 | 174,546             |
| Interest on long-term debt          | 58,518                  | 45,595              |
| Total expenses                      | <u>4,269,064</u>        | <u>4,368,636</u>    |
| Increase (decrease) in net position | 520,951                 | (84,377)            |
| Net position - beginning            | 8,793,031               | 8,877,408           |
| Net position - ending               | <u>\$ 9,313,982</u>     | <u>\$ 8,793,031</u> |

- Sales tax revenues increased by 5.2% during the year.
- Capital grants and contributions increased 129% during the year, largely due to capital contributions received from the EDC
- Administration expenditures increased 60% during the year, largely due to water damage at City Hall

**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 \$3,631,065. 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 (\$124,797) and for streets (\$647,694), and for culture and recreation (\$268,200).

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 \$2,454,848 while total fund balance was \$3,238,068.

The fund balance of the City’s general fund increased \$140,089 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 \$4,441,787 exceeded budgeted revenues of \$3,793,007 by \$648,780. General Fund actual expenditures of \$4,360,868 exceeded budgeted expenditures of \$4,324,375 by \$36,493.

**CAPITAL ASSETS**

The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$7,205,864 (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 |                     |
|-------------------------|-------------------------|---------------------|
|                         | 2017                    | 2016                |
| Land                    | \$ 371,086              | \$ 371,086          |
| Buildings               | 2,133,569               | 2,055,021           |
| Machinery and Equipment | 873,004                 | 946,986             |
| Infrastructure          | 3,828,205               | 3,421,635           |
| <b>Total</b>            | <b>\$ 7,205,864</b>     | <b>\$ 6,794,728</b> |

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 \$1,668,473. 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 |                     |
|-----------------------|-------------------------|---------------------|
|                       | 2017                    | 2016                |
| Note payable          | \$ 982,178              | \$ 1,019,124        |
| Capital lease         | 318,134                 | 408,288             |
| Compensated absences  | 62,331                  | 68,768              |
| Net pension liability | 305,830                 | 305,830             |
| Total                 | <u>\$ 1,668,473</u>     | <u>\$ 1,802,010</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 2017-2018 Budget, General fund revenues are budgeted to increase by 9% from the 2016-2017 budget year with business and franchise taxes making up about 75% 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, 2017**

|  | <u>Primary Government</u> |                       |
|--|---------------------------|-----------------------|
|  | <u>Governmental</u>       | <u>Component Unit</u> |
|  | <u>Activities</u>         |                       |
| <b>ASSETS</b>  |                           |                       |
| Current Assets   |                           |                       |
| Cash and Cash Equivalents  | \$ 2,456,810              | \$ 1,240,881          |
| Investments  | 392,610                   | 3,547                 |
| Receivables, Net of Allowances<br>for Uncollectible Amounts      | 1,038,685                 | 424,044               |
| Due from Primary Government                                      | -                         | 76,705                |
| Land Held for Resale   | -                         | 456,131               |
| Capital Assets:  |                           |                       |
| Non-depreciable  | 371,085                   | 863,799               |
| Depreciable (Net of<br>Accumulated Depreciation)                 | 6,834,774                 | 46,525                |
| Total Assets   | <u>11,093,964</u>         | <u>3,111,632</u>      |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                            |                           |                       |
| Pension Contributions after Measurement Date                     | 83,420                    | -                     |
| Total Deferred Outflows of Resources                             | <u>83,420</u>             | <u>-</u>              |
| <b>LIABILITIES</b>   |                           |                       |
| Current Liabilities  |                           |                       |
| Accounts Payable<br>and Other Current Liabilities                | 89,449                    | 7,006                 |
| Accrued Interest   | 13,615                    | 9,394                 |
| Due to Component Unit  | 76,705                    | -                     |
| Noncurrent Liabilities:  |                           |                       |
| Due Within One Year  | 130,885                   | 46,227                |
| Due in More Than One Year  | 1,527,277                 | 423,393               |
| Total Liabilities  | <u>1,837,931</u>          | <u>486,020</u>        |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                             |                           |                       |
| Difference in Projected and Actual Earnings<br>on Pension Assets | 219                       | -                     |
| Difference in Expected and Actual<br>Pension Experience          | 25,252                    | -                     |
| Total Deferred Inflows of Resources                              | <u>25,471</u>             | <u>-</u>              |
| <b>NET POSITION</b>  |                           |                       |
| Invested in Capital Assets Net of Related Debt                   | 5,905,547                 | 440,704               |
| Restricted for:  |                           |                       |
| Culture and Recreation   | 268,200                   | -                     |
| Public Safety  | 124,797                   | -                     |
| Streets  | 647,694                   | -                     |
| Unrestricted   | 2,367,744                 | 2,184,908             |
| Total Net Position   | <u>\$ 9,313,982</u>       | <u>\$ 2,625,612</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, 2017

| Function / Programs                              | Expenses         | Program Revenues     |                                   |                                  | Net (Expense) Revenue and Changes in Net Position |                     |
|--|------------------|----------------------|-----------------------------------|----------------------------------|---|---------------------|
|  |                  | Charges for Services | Operating Grants and Contribution | Capital Grants and Contributions | Primary Governmental Activities                   | Component Unit      |
| <b>Primary Government</b>                        |                  |                      |                                   |                                  |   |                     |
| Governmental Activities:                         |                  |                      |                                   |                                  |   |                     |
| Mayor and Council Administration                 | \$ 2,791         | \$ -                 | \$ -                              | \$ -                             | \$ (2,791)  | \$ -                |
| City Secretary                                   | 700,117          | 19,516               | -                                 | 293,685                          | (386,916)   | -                   |
| Treasurer  | 90,679           | -                    | -                                 | -                                | (90,679)  | -                   |
| Municipal Court                                  | 102,687          | -                    | -                                 | -                                | (102,687)   | -                   |
| Municipal Buildings                              | 134,739          | -                    | -                                 | -                                | (134,739)   | -                   |
| Police Protection                                | 73,899           | -                    | -                                 | -                                | (73,899)  | -                   |
| Code Enforcement                                 | 1,270,933        | 192,145              | 14,888                            | -                                | (1,063,900)                                       | -                   |
| Building Inspections                             | 86,505           | 121,065              | -                                 | -                                | 34,560  | -                   |
| Fire Protection                                  | 162,723          | -                    | -                                 | -                                | (162,723)   | -                   |
| Streets  | 485,133          | -                    | 8,550                             | -                                | (476,583)   | -                   |
| Parks  | 743,090          | -                    | -                                 | 22,831                           | (720,259)   | -                   |
| Animal Control                                   | 158,449          | -                    | -                                 | 218,709                          | 60,260  | -                   |
| Economic Development                             | 56,565           | -                    | -                                 | -                                | (56,565)  | -                   |
| Interest on Long-Term Debt                       | 142,236          | -                    | -                                 | -                                | (142,236)   | -                   |
| Total Primary Government                         | <u>4,269,064</u> | <u>332,726</u>       | <u>23,438</u>                     | <u>535,225</u>                   | <u>(3,377,675)</u>                                | <u>-</u>            |
| <b>Component Unit:</b>                           |                  |                      |                                   |                                  |   |                     |
| Gun Barrel City Economic Development Corporation | 384,494          | -                    | -                                 | -                                | -   | (384,494)           |
| Total Component Unit                             | <u>384,494</u>   | <u>-</u>             | <u>-</u>                          | <u>-</u>                         | <u>-</u>  | <u>(384,494)</u>    |
| <b>General Revenues:</b>                         |                  |                      |                                   |                                  |   |                     |
| Sales Taxes                                      |                  |                      |                                   |                                  | 3,296,983   | 470,998             |
| Franchise Taxes                                  |                  |                      |                                   |                                  | 419,445   | -                   |
| Hotel Occupancy Taxes                            |                  |                      |                                   |                                  | 81,155  | -                   |
| Alcoholic Beverage Taxes                         |                  |                      |                                   |                                  | 43,534  | -                   |
| Investment Earnings                              |                  |                      |                                   |                                  | 10,438  | 11,024              |
| Miscellaneous                                    |                  |                      |                                   |                                  | 47,071  | 16,603              |
| Total General Revenues and Transfers             |                  |                      |                                   |                                  | <u>3,898,626</u>                                  | <u>498,625</u>      |
| Change in Net Position                           |                  |                      |                                   |                                  | 520,951   | 114,131             |
| Net Position - Beginning                         |                  |                      |                                   |                                  | 8,793,031   | 2,511,481           |
| Net Position - Ending                            |                  |                      |                                   |                                  | <u>\$ 9,313,982</u>                               | <u>\$ 2,625,612</u> |

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

**CITY OF GUN BARREL CITY, TEXAS**  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2017**

|  | General             | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>  |                     |                                |                                |
| Cash and Cash Equivalents                            | \$ 2,083,695        | \$ 373,115                     | \$ 2,456,810                   |
| Investments  | 392,601             | -                              | 392,601                        |
| Receivables (Net of<br>Allowance for Uncollectibles) | 1,018,407           | 20,278                         | 1,038,685                      |
| Due From Other Funds                                 | -                   | 125                            | 125                            |
| Total Assets   | <u>\$ 3,494,703</u> | <u>\$ 393,518</u>              | <u>\$ 3,888,221</u>            |
| <b>LIABILITIES AND FUND BALANCES</b>                 |                     |                                |                                |
| Liabilities  |                     |                                |                                |
| Accounts Payable<br>and Other Current Liabilities    | \$ 88,928           | \$ 521                         | \$ 89,449                      |
| Due To Other Funds                                   | 125                 | -                              | 125                            |
| Due to Component Unit                                | <u>76,705</u>       | <u>-</u>                       | <u>76,705</u>                  |
| Total Liabilities                                    | 165,758             | 521                            | 166,279                        |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                 |                     |                                |                                |
| Unavailable Revenue - Municipal Court                | <u>90,877</u>       | <u>-</u>                       | <u>90,877</u>                  |
| Total Deferred Inflows of Resources                  | 90,877              | -                              | 90,877                         |
| Fund Balances  |                     |                                |                                |
| Restricted for:                                      |                     |                                |                                |
| Culture and Recreation                               | -                   | 268,200                        | 268,200                        |
| Public Safety  | -                   | 124,797                        | 124,797                        |
| Streets  | 647,694             | -                              | 647,694                        |
| Committed for:                                       |                     |                                |                                |
| Debt Service   | 131,883             | -                              | 131,883                        |
| Assigned to:   |                     |                                |                                |
| Economic Development                                 | 3,643               | -                              | 3,643                          |
| Unassigned   | <u>2,454,848</u>    | <u>-</u>                       | <u>2,454,848</u>               |
| Total Fund Balances                                  | <u>3,238,068</u>    | <u>392,997</u>                 | <u>3,631,065</u>               |
| Total Liabilities and Fund Balances                  | <u>\$ 3,494,703</u> | <u>\$ 393,518</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.  | 7,205,859           |
| 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. | 90,877              |
| Deferred inflows and outflows of resources related to pension assets not reported in the governmental funds  | 57,958              |
| 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.                       | (13,615)            |
| Long term liabilities, including notes payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.  |                     |
| Due within one year  | (130,885)           |
| Due in more than one year  | <u>(1,527,277)</u>  |
| Net position of governmental activities  | <u>\$ 9,313,982</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, 2017**

|   | General             | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>   |                     |                                |                                |
| Sales Tax   | \$ 3,296,983        | \$ -                           | \$ 3,296,983                   |
| Franchise Tax   | 419,445             | -                              | 419,445                        |
| Hotel Occupancy Tax                                       | -                   | 81,155                         | 81,155                         |
| Mixed Beverage Tax  | 43,534              | -                              | 43,534                         |
| Licenses, Permits and Fees                                | 121,065             | -                              | 121,065                        |
| Fines and Forfeitures                                     | 167,995             | 8,095                          | 176,090                        |
| Charges for Current Services                              | 19,516              | -                              | 19,516                         |
| Revenues from Use of Money and Property                   | 9,485               | 952                            | 10,437                         |
| Intergovernmental   | 31,381              | -                              | 31,381                         |
| Contributions   | 218,709             | 14,889                         | 233,598                        |
| Other Revenue   | 315,246             | 27,207                         | 342,453                        |
| Total Revenues  | <u>4,643,359</u>    | <u>132,298</u>                 | <u>4,775,657</u>               |
| <b>EXPENDITURES</b>                                       |                     |                                |                                |
| Current   |                     |                                |                                |
| Mayor and Council   | 2,791               | -                              | 2,791                          |
| Administration  | 616,892             | -                              | 616,892                        |
| City Secretary  | 89,379              | -                              | 89,379                         |
| Treasurer   | 94,381              | -                              | 94,381                         |
| Municipal   | 193,449             | 7,138                          | 200,587                        |
| Police Department   | 1,247,321           | 8,063                          | 1,255,384                      |
| Code Enforcement  | 85,034              | -                              | 85,034                         |
| Building Inspections                                      | 145,867             | -                              | 145,867                        |
| Fire Department   | 525,284             | 21,567                         | 546,851                        |
| Streets   | 934,179             | -                              | 934,179                        |
| Parks   | 299,955             | -                              | 299,955                        |
| Animal Control  | 53,485              | -                              | 53,485                         |
| Economic Development                                      | 38,156              | 94,467                         | 132,623                        |
| Debt Service  |                     |                                |                                |
| Principal Retirement                                      | 129,776             | -                              | 129,776                        |
| Interest and Fiscal Charges                               | 47,321              | -                              | 47,321                         |
| Total Expenditures  | <u>4,503,270</u>    | <u>131,235</u>                 | <u>4,634,505</u>               |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>140,089</u>      | <u>1,063</u>                   | <u>141,152</u>                 |
| Net Change in Fund Balance                                | 140,089             | 1,063                          | 141,152                        |
| Fund Balances - Beginning                                 | 3,097,979           | 391,934                        | 3,489,913                      |
| Fund Balances - Ending                                    | <u>\$ 3,238,068</u> | <u>\$ 392,997</u>              | <u>\$ 3,631,065</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**  
**YEARS ENDED SEPTEMBER 30, 2017**

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)   |                  | \$ 141,152        |
| 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.   |                  | 1,015,695         |
| The net effect of various transactions involving capital assets (i.e., asset retirement/disposals)  |                  | (769)             |
| 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.   |                  | (603,791)         |
| 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  | 36,946           |                   |
| Capital leases retired  | <u>90,154</u>    | 127,100           |
| 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.  |                  | 15,123            |
| 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   | 6,437            |                   |
| Pension costs, net  | <u>(171,475)</u> | (165,038)         |
| 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>(8,521)</u>    |
| Change in net position of governmental activities (page 11)   |                  | <u>\$ 520,951</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, 2017**

**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, 2017**

**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, 2017**

**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, 2017**

**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, 2017

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.

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** - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

**Restricted net position** - This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

**Unrestricted net position** - This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

CITY OF GUN BARREL CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Net Position (continued) –

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

The governmental fund financials present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

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

***Restricted fund balance*** - represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislations.

***Committed fund balance*** - represents amounts that can only be used for specific purposes imposed by formal action of the City's highest level of decision-making authority, the City Council. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by the same type of action previously used to commit those amounts, either by resolution or by ordinance.

***Assigned fund balance*** - represents amounts the City intends to use for specific purposes as expressed by the City Council or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund. As of September 30, 2017, City Council has not delegated authority to an official to assign amounts.

***Unassigned fund balance*** - represents the residual classification for the general fund or deficit balances in other funds.

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 or 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, 2017**

**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,

**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](http://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, 2017, 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, 2017. At year end, the bank balance of the City's deposits was \$2,461,563. 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.

**CITY OF GUN BARREL CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE B – DETAILED NOTES ON ALL FUNDS (continued)**

1. Deposits and investments (continued)

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, 2017</u> |                   |                |                  |
|----------------------------------|--|-------------------|----------------|------------------|
|                                  | <u>Level 1</u>                                       | <u>Level 2</u>    | <u>Level 3</u> | <u>Total</u>     |
| Certificates of Deposit          | \$ -   | \$ 391,456        | \$ -           | \$391,456        |
| Texas Government Investment Pool | -  | 1,154             | -              | 1,154            |
|                                  | <u>\$ -</u>  | <u>\$ 392,610</u> | <u>\$ -</u>    | <u>\$392,610</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.

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:

|                                    | <u>General</u>      | <u>Non-major<br/>Funds</u> | <u>Total</u>        |
|------------------------------------|---------------------|----------------------------|---------------------|
| Receivables:                       |                     |                            |                     |
| Taxes                              | \$ 912,791          | \$ 20,278                  | \$ 933,069          |
| Court                              | 128,098             | -                          | \$ 128,098          |
| Other                              | 14,757              | -                          | 14,757              |
| Gross receivables                  | <u>1,055,646</u>    | <u>20,278</u>              | <u>1,075,924</u>    |
| Less: allowance for uncollectables | <u>(37,239)</u>     | <u>-</u>                   | <u>(37,239)</u>     |
| Net total receivables              | <u>\$ 1,018,407</u> | <u>\$ 20,278</u>           | <u>\$ 1,038,685</u> |

**CITY OF GUN BARREL CITY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2017**

**NOTE B – DETAILED NOTES ON ALL FUNDS (continued)**

3. Capital assets

Capital asset activity for the year ended September 30, 2017, was as follows:

|  | Beginning<br>Balance | Increases         | Decreases        | Ending<br>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                                    | 2,869,997            | 180,632           | -                | 3,050,629           |
| Machinery and equipment                      | 3,332,290            | 151,778           | (282,550)        | 3,201,518           |
| Infrastructure                               | 5,029,171            | 683,285           | -                | 5,712,456           |
| Totals capital assets being depreciated      | <u>11,231,458</u>    | <u>1,015,695</u>  | <u>(282,550)</u> | <u>11,964,603</u>   |
| Less accumulated depreciation for:           |                      |                   |                  |                     |
| Buildings                                    | (814,976)            | (102,084)         | -                | (917,060)           |
| Machinery and equipment                      | (2,385,304)          | (224,991)         | 281,781          | (2,328,514)         |
| Infrastructure                               | (1,607,540)          | (276,715)         | -                | (1,884,255)         |
| Total accumulated depreciation               | <u>(4,807,820)</u>   | <u>(603,790)</u>  | <u>281,781</u>   | <u>(5,129,829)</u>  |
| Total capital assets, being depreciated, net | <u>6,423,638</u>     | <u>411,905</u>    | <u>(769)</u>     | <u>6,834,774</u>    |
| Governmental activities capital assets, net  | <u>\$ 6,794,723</u>  | <u>\$ 411,905</u> | <u>\$ (769)</u>  | <u>\$ 7,205,859</u> |

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

|  |                   |
|--|-------------------|
| Administration                                       | \$ 95,004         |
| Police Protection                                    | 76,755            |
| Code Enforcement                                     | 1,117             |
| Fire Protection                                      | 97,127            |
| Streets  | 249,686           |
| Parks  | 74,489            |
| Economic Development                                 | 9,612             |
| Total depreciation expense - governmental activities | <u>\$ 603,790</u> |

**CITY OF GUN BARREL CITY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2017**

**NOTE B – DETAILED NOTES ON ALL FUNDS (continued)**

4. Interfund receivables and payables

Due to/from other funds:

| <u>Receivable Fund</u>       | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------------|---------------------|---------------|
| Non-major governmental funds | General             | \$ 125        |
|                              |                     | <u>\$ 125</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<br/>Activities</u> |
|--------------------------------|------------------------------------|
| Machinery and equipment        | \$ 419,754                         |
| Less: accumulated depreciation | (62,963)                           |
| Total                          | <u>\$ 356,791</u>                  |

Annual debt service requirements to maturity are as follows:

| <u>Year Ending<br/>September 30</u> | <u>Governmental Activities<br/>Capital Lease Obligations</u> |                  |
|-------------------------------------|--|------------------|
|                                     | <u>Principal</u>   | <u>Interest</u>  |
| 2018                                | \$ 31,341  | \$ 9,480         |
| 2019                                | 32,275   | 56               |
| 2020                                | 33,236   | 7,585            |
| 2021                                | 34,227   | 6,594            |
| 2022                                | 35,247   | 5,574            |
| Thereafter                          | 151,808  | 11,475           |
|                                     | <u>\$ 318,134</u>  | <u>\$ 40,764</u> |

**CITY OF GUN BARREL CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE B – DETAILED NOTES ON ALL FUNDS (continued)**

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%                | \$ 982,178               | Certificates of Deposit |
|                    |                      |                      | <u>\$ 982,178</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 11/30/2021m 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%.

Annual debt service requirements to maturity are as follows –

| <u>Year Ending<br/>September 30</u> | <u>Governmental Activities<br/>Note Payable</u> |                   |
|-------------------------------------|---|-------------------|
|                                     | <u>Principal</u>                                | <u>Interest</u>   |
| 2018                                | \$ 37,213                                       | \$ 34,671         |
| 2019                                | 38,571  | 33,313            |
| 2020                                | 39,978  | 31,906            |
| 2021                                | 41,436  | 30,448            |
| 2022                                | 42,948  | 28,936            |
| 2023-2027                           | 239,417   | 129,902           |
| 2028-2032                           | 286,391   | 73,027            |
| 2033-2037                           | 256,224   | 18,472            |
|                                     | <u>\$ 982,178</u>                               | <u>\$ 380,675</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.

**CITY OF GUN BARREL CITY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2017**

**NOTE B – DETAILED NOTES ON ALL FUNDS (continued)**

6. Long-term debt (continued)

Changes in long-term liabilities –

Long-term liability activity for the year ended September 30, 2017, was as follows:

|                          | Beginning<br>Balance | Additions        | Reductions          | Ending<br>Balances  | Due Within<br>One Year |
|--------------------------|----------------------|------------------|---------------------|---------------------|------------------------|
| Governmental activities: |                      |                  |                     |                     |                        |
| Note payable             | \$ 1,019,124         | \$ -             | \$ (36,946)         | \$ 982,178          | \$ 37,213              |
| Capital lease            | 408,288              | -                | (90,154)            | 318,134             | 31,341                 |
| Net pension liability    | 305,830              | -                | (10,311)            | 295,519             | -                      |
| Compensated absences     | 68,768               | 69,022           | (75,459)            | 62,331              | 62,331                 |
| Governmental activity    |                      |                  |                     |                     |                        |
| Long-term liabilities    | <u>\$ 1,802,010</u>  | <u>\$ 69,022</u> | <u>\$ (212,870)</u> | <u>\$ 1,658,162</u> | <u>\$ 130,885</u>      |

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

**NOTE C – OTHER INFORMATION**

1. Risk Management

The City 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.

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.

**CITY OF GUN BARREL CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**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, 2017, approximately 47% of sales tax representing approximately 37% of total general fund revenues were attributable to these taxpayers.

**CITY OF GUN BARREL CITY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2017**

**NOTE C – OTHER INFORMATION (continued)**

5. Texas Municipal Retirement System

Plan Description –

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

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, 0/25               |
| 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, 2017**

**NOTE C – OTHER INFORMATION (continued)**

5. Texas Municipal Retirement System (continued)

Employees covered by benefit terms –

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

|   |                            |
|---|----------------------------|
| Retirees or beneficiaries currently receiving benefits        | 20                         |
| Inactive employees entitled to but not yet receiving benefits | 32                         |
| Active employees  | 41                         |
|   | <hr style="width: 100%;"/> |
|   | 93                         |
|   | <hr style="width: 100%;"/> |

Contributions –

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using 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 amortizes 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, 2016 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, 2016 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, 2017**

**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, 2016, 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, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments 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, 2017**

**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 12/31/15  | \$ 3,073,795        | \$ 2,771,435        | \$ 302,360        |
| Changes for the year:  |                     |                     |                   |
| Service cost   | 177,341             | -                   | 177,341           |
| Interest   | 209,202             | -                   | 209,202           |
| Change in benefit terms  | -                   | -                   | -                 |
| Difference between expected<br>and actual experience             | (31,812)            | -                   | (31,812)          |
| Changes in assumptions   | -                   | -                   | -                 |
| Contributions - employer   | -                   | 93,899              | (93,899)          |
| Contributions - employee   | -                   | 85,178              | (85,178)          |
| Net investment income  | -                   | 187,346             | (187,346)         |
| Benefit payments, including rentals<br>of employee contributions | (126,356)           | (126,356)           | -                 |
| Administrative expense   | -                   | (2,115)             | 2,115             |
| Other changes  | -                   | (114)               | 114               |
| Net Changes  | <u>228,375</u>      | <u>237,838</u>      | <u>(9,463)</u>    |
| Balance at 12/31/16  | <u>\$ 3,302,170</u> | <u>\$ 3,009,273</u> | <u>\$ 292,897</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<br><u>Discount Rate</u> | Current<br><u>Discount Rate</u> | 1% Increase in<br><u>Discount Rate</u> |
|------------------------------|--|---------------------------------|--|
| City's net pension liability | \$ 762,539                             | \$ 292,897                      | \$ (92,335)                            |

**CITY OF GUN BARREL CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**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](http://www.tmr.com). Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2017, the City recognized pension expense of \$106,663. This amount is included as part of Personal Services expenses within the functional program activities.

At September 30, 2017, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Difference between expected<br>and actual investment earnings      | \$ -                                      | \$ 25,171                                |
| Differences between actuarial assumptions<br>and actual experience | -   | 219                                      |
| Contributions subsequent to the<br>measurement date                | 82,988                                    | -  |
| Total  | <u>\$ 82,988</u>                          | <u>\$ 25,390</u>                         |

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$82,988 will be recognized as a reduction of the net pension liability for the measurement year ending August 31, 2016 (i.e. recognized in the city’s financial statements September 30, 2018). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Measurement<br>Year ended<br><u>Dec 31</u> |                  |
|--|------------------|
| 2017                                       | \$ 36,104        |
| 2018                                       | 36,275           |
| 2019                                       | 30,622           |
| 2020                                       | (5,302)          |
| 2021                                       | -                |
| Thereafter                                 | -                |
|  | <u>\$ 97,699</u> |

**CITY OF GUN BARREL CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**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, 2016, there were 199 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, 2016 TESRS membership consisted of:

|   |       |
|---|-------|
| Retirees or beneficiaries currently receiving benefits                  | 3,167 |
| Terminated participants entitled to benefits but not yet receiving them | 2,200 |
| Active participants (vested and nonvested)                              | 3,634 |

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, 2017**

**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, 2016 total contributions (dues and prior service) of \$ 3,463,603 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$ 1,583,825 for the fiscal year ending August 31, 2016.

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, 2016 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$625,000 each year to pay for part of the System's administrative expenses. On August 31, 2016 the actuarial liabilities exceeded the actuarial assets by \$29,128,103.

|  |            |
|--|------------|
| City's proportionate share of net pension liability                | 2,622      |
| State's proportionate share that is associated with the City Total | <u>228</u> |
|  | 2,850      |

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Contributions subsequent to the measurement date           | \$ 432                                    | \$ -                                     |
| Difference between expected and actual investment earnings | -   | 81                                       |
| Total  | <u>\$ 432</u>                             | <u>\$ 81</u>                             |

**CITY OF GUN BARREL CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**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 \$432 will be recognized as a reduction of the net pension liability for the measurement year ending August 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Measurement<br>Year ended<br>Dec 31 |                |
|-------------------------------------|----------------|
| 2017                                | \$ (60)        |
| 2018                                | (60)           |
| 2019                                | (60)           |
| 2020                                | 99             |
| 2021                                | -              |
| Thereafter                          | -              |
|                                     | <u>\$ (81)</u> |

Actuarial assumptions –

The Total Pension Liability in the August 31 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Valuation Date            | August 31, 2016   |
| Inflation                 | 3.50% 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<br/>Discount Rate</u> | <u>Current<br/>Discount Rate</u> | <u>1% Increase in<br/>Discount Rate</u> |
|--------------------------------|---|----------------------------------|---|
| System's net pension liability | \$ 49,314,321                           | \$ 29,128,103                    | \$ 16,266,418                           |

**CITY OF GUN BARREL CITY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2017**

**NOTE C – OTHER INFORMATION (continued)**

7. Postemployment Benefits

Program Description –

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at [www.TMRS.org](http://www.TMRS.org).

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 life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2017, 2016 and 2015 were \$3,407, \$3,326 and \$3,012 respectively, which equaled the required contributions each year.

| Plan/<br>Calendar<br>Year | Schedule of Contribution Rates     |                                |                                     |
|---------------------------|------------------------------------|--------------------------------|-------------------------------------|
|                           | Retiree-only portion of the rate   |                                |                                     |
|                           | Annual<br>Required<br>Contribution | Actual<br>Contribution<br>Made | Percentage<br>of ARC<br>Contributed |
| 2014                      | 0.03%                              | 0.03%                          | 100.0%                              |
| 2015                      | 0.03%                              | 0.03%                          | 100.0%                              |
| 2016                      | 0.03%                              | 0.03%                          | 100.0%                              |
| 2017                      | 0.03%                              | 0.03%                          | 100.0%                              |
| 2018                      | 0.04%                              | 0.04%                          | 100.0%                              |

CITY OF GUN BARREL CITY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2017

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 \$1,244,832. 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, 2017</u> |                |                |              |
|----------------------------------|--|----------------|----------------|--------------|
|                                  | <u>Level 1</u>                                       | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Texas Government Invesmtnet Pool | \$ -   | \$ 3,547       | \$ -           | \$ 3,547     |
|                                  | \$ -   | \$ 3,547       | \$ -           | \$ 3,547     |

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, 2017, the Corporation made loans totaling \$150,000 to local businesses.

Principal maturities of long-term notes receivable are as follows for the years ended September 30, 2017:

|            |                   |
|------------|-------------------|
| 2018       | \$ 43,381         |
| 2019       | 44,257            |
| 2020       | 45,150            |
| 2021       | 46,062            |
| 2022       | 49,991            |
| Thereafter | 195,203           |
|            | <u>\$ 424,044</u> |

CITY OF GUN BARREL CITY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2017

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

3. Capital assets

Capital asset activity for the Corporation for the year ended September 30, 2017, was as follows:

|  | Beginning<br>Balance | Increases        | Decreases           | Ending<br>Balance |
|--|----------------------|------------------|---------------------|-------------------|
| Governmental activities:                     |                      |                  |                     |                   |
| Capital assets not being depreciated:        |                      |                  |                     |                   |
| Land   | \$ 891,123           | \$ -             | \$ -                | \$ 891,123        |
| Construction in progress                     | 212,284              | 6,425            | (218,709)           | -                 |
| Total capital assets not being depreciated   | <u>1,103,407</u>     | <u>6,425</u>     | <u>(218,709)</u>    | <u>891,123</u>    |
| Capital assets being depreciated:            |                      |                  |                     |                   |
| Machinery and equipment                      | 7,266                | 3,236            | (4,244)             | 6,258             |
| Improvements                                 | -                    | 16,346           | -                   | 16,346            |
| Totals capital assets being depreciated      | <u>7,266</u>         | <u>19,582</u>    | <u>(4,244)</u>      | <u>22,604</u>     |
| Less accumulated depreciation for:           |                      |                  |                     |                   |
| Machinery and equipment                      | (6,606)              | (678)            | 4,244               | (3,040)           |
| Improvements                                 | -                    | (363)            | -                   | (363)             |
| Total accumulated depreciation               | <u>(6,606)</u>       | <u>(1,041)</u>   | <u>4,244</u>        | <u>(3,403)</u>    |
| Total capital assets, being depreciated, net | <u>660</u>           | <u>18,541</u>    | <u>-</u>            | <u>19,201</u>     |
| Governmental activities capital assets, net  | <u>\$ 1,104,067</u>  | <u>\$ 24,966</u> | <u>\$ (218,709)</u> | <u>\$ 910,324</u> |

Depreciation expense for the year ended September 30, 2017 was \$1,041.

4. Long-term debt

The Corporation has a note payable with a financial institution in the amount of \$469,620 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<br>September 30 | Note Payable      |                  |
|-----------------------------|-------------------|------------------|
|                             | Principal         | Interest         |
| 2018                        | \$ 46,227         | \$ 14,089        |
| 2019                        | 47,613            | 12,702           |
| 2020                        | 49,042            | 11,273           |
| 2021                        | 50,513            | 9,802            |
| 2022                        | 52,028            | 8,287            |
| 2023-2027                   | 224,197           | 17,063           |
|                             | <u>\$ 469,620</u> | <u>\$ 73,216</u> |

**CITY OF GUN BARREL CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

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

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, 2017, approximately 47% of sales tax representing approximately 44% 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. Commitments

On February 25, 2014, the Corporation entered into a 380 agreement with the Hometown Cinemas, LLC ("Developer") and the City of Gun Barrel City. Under the agreement, the Corporation 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 Corporation is not obligated to make any payments to the Developer for sales attributable to the Property).

9. Related Party Transactions

The Corporation leases storage space to the City in Brawner Hall. The City leases office space to the Corporation at City Hall. The Corporation and City have agreed to make no monetary transaction in regards to these leases.

**NOTE E – SUBSEQUENT EVENTS**

The City has evaluated subsequent events through March 15, 2018, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF GUN BARREL CITY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET VS ACTUAL  
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

|   | Original<br>Budgeted<br>Amounts | Final<br>Budgeted<br>Amounts | Actual<br>GAAP<br>Basis | Adjustments<br>Budget<br>Basis | Actual<br>Budget<br>Basis | Variance<br>with Final<br>Budget<br>Over<br>(Under)<br>Budget |
|---|---------------------------------|------------------------------|-------------------------|--------------------------------|---------------------------|---|
| <b>REVENUES</b>                                     |                                 |                              |                         |                                |                           |   |
| Sales Tax   | \$ 3,110,641                    | \$ 3,125,763                 | \$ 3,296,983            | \$ 30,978                      | \$ 3,327,961              | \$ 202,198  |
| Franchise Tax                                       | 343,208                         | 343,208                      | 419,445                 | (3,074)                        | 416,371                   | 73,163  |
| Mixed Beverage Tax                                  | 35,000                          | 35,000                       | 43,534                  | (2,121)                        | 41,413                    | 6,413   |
| Licenses, Permits and Fees                          | 87,091                          | 87,091                       | 121,065                 | -                              | 121,065                   | 33,974  |
| Fines and Forfeitures                               | 155,754                         | 155,754                      | 167,995                 | (2,020)                        | 165,975                   | 10,221  |
| Charges for Current Services                        | 15,275                          | 15,275                       | 19,516                  | -                              | 19,516                    | 4,241   |
| Revenues from Use of Money<br>and Property          | 3,945                           | 3,945                        | 9,485                   | (2,481)                        | 7,004                     | 3,059   |
| Intergovernmental                                   | 2,700                           | 2,700                        | 31,381                  | -                              | 31,381                    | 28,681  |
| Contributions                                       | -                               | -                            | 218,709                 | (218,709)                      | -                         | -   |
| Other Revenue                                       | 24,271                          | 24,271                       | 315,246                 | (4,145)                        | 311,101                   | 286,830   |
| Total Revenues                                      | <u>3,777,885</u>                | <u>3,793,007</u>             | <u>4,643,359</u>        | <u>(201,572)</u>               | <u>4,441,787</u>          | <u>648,780</u>  |
| <b>EXPENDITURES</b>                                 |                                 |                              |                         |                                |                           |   |
| Current   |                                 |                              |                         |                                |                           |   |
| Mayor and Council                                   | 4,000                           | 4,000                        | 2,791                   | -                              | 2,791                     | (1,209)   |
| Administration                                      | 340,968                         | 340,968                      | 616,892                 | 5,946                          | 622,838                   | 281,870   |
| City Secretary                                      | 90,905                          | 90,905                       | 89,379                  | 162                            | 89,541                    | (1,364)   |
| Treasurer   | 95,713                          | 95,713                       | 94,381                  | 162                            | 94,543                    | (1,170)   |
| Municipal   | 207,452                         | 207,452                      | 193,449                 | 332                            | 193,781                   | (13,671)  |
| Police Department                                   | 1,337,229                       | 1,337,229                    | 1,247,321               | 5,112                          | 1,252,433                 | (84,796)  |
| Code Enforcement                                    | 113,826                         | 113,826                      | 85,034                  | 189                            | 85,223                    | (28,603)  |
| Building Inspections                                | 136,213                         | 151,335                      | 145,867                 | 279                            | 146,146                   | (5,189)   |
| Fire Department                                     | 537,338                         | 537,338                      | 525,284                 | 674                            | 525,958                   | (11,380)  |
| Streets   | 1,206,810                       | 1,206,810                    | 934,179                 | (11,272)                       | 922,907                   | (283,903)   |
| Parks   | 93,075                          | 93,075                       | 299,955                 | (217,601)                      | 82,354                    | (10,721)  |
| Animal Control                                      | 58,135                          | 58,135                       | 53,485                  | 112                            | 53,597                    | (4,538)   |
| Economic Development                                | -                               | -                            | 38,156                  | -                              | 38,156                    | 38,156  |
| Debt Service  |                                 |                              |                         |                                |                           |   |
| Principal Retirement                                | 50,903                          | 50,903                       | 129,776                 | 48,007                         | 177,783                   | 126,880   |
| Interest and Fiscal Charges                         | 36,686                          | 36,686                       | 47,321                  | 25,496                         | 72,817                    | 36,131  |
| Total Expenditures                                  | <u>4,309,253</u>                | <u>4,324,375</u>             | <u>4,503,270</u>        | <u>(142,402)</u>               | <u>4,360,868</u>          | <u>36,493</u>   |
| Excess (Deficiency) of<br>Over/(Under) Expenditures | <u>(531,368)</u>                | <u>(531,368)</u>             | <u>140,089</u>          | <u>(343,973)</u>               | <u>80,919</u>             | <u>612,287</u>  |
| Net Change in Fund Balance                          | <u>\$ (531,368)</u>             | <u>\$ (531,368)</u>          | <u>\$ 140,089</u>       | <u>\$ (343,973)</u>            | <u>\$ 80,919</u>          | <u>\$ 612,287</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<br>Year<br>2014 | Measurement<br>Year<br>2015 | Measurement<br>Year<br>2016 |
|---|-----------------------------|-----------------------------|-----------------------------|
| Total pension liability:  |                             |                             |                             |
| Service cost  | \$ 155,794                  | \$ 171,115                  | \$ 177,341                  |
| Interest  | 186,149                     | 200,617                     | 209,202                     |
| Changes of benefit terms  | -                           | -                           | -                           |
| Difference between expected<br>and actual experience                      | (4,605)                     | (83,831)                    | (31,812)                    |
| Change in assumptions   | -                           | 82,314                      | -                           |
| Benefit payments, including refunds<br>of employee contributions          | (123,011)                   | (153,625)                   | (126,356)                   |
| Net change in total pension liability                                     | 214,327                     | 216,590                     | 228,375                     |
| Total pension liability - beginning                                       | 2,642,878                   | 2,857,205                   | 3,073,795                   |
| Total pension liability - ending (a)                                      | 2,857,205                   | 3,073,795                   | 3,302,170                   |
| Plan fiduciary net position:  |                             |                             |                             |
| Contributions - employer  | 86,857                      | 95,709                      | 93,899                      |
| Contributions - employee  | 82,991                      | 87,571                      | 85,178                      |
| Net investment income   | 145,853                     | 4,044                       | 187,346                     |
| Benefit payments, including refunds<br>of employee contributions          | (123,011)                   | (153,625)                   | (126,356)                   |
| Administrative expense  | (1,523)                     | (2,463)                     | (2,115)                     |
| Other   | (125)                       | (121)                       | (114)                       |
| Net change in plan fiduciary net position                                 | 191,042                     | 31,115                      | 237,838                     |
| Plan fiduciary net position - beginning                                   | 2,549,278                   | 2,740,320                   | 2,771,435                   |
| Plan fiduciary net position - ending (b)                                  | 2,740,320                   | 2,771,435                   | 3,009,273                   |
| Net pension liability - ending (a) - (b)                                  | \$ 116,885                  | \$ 302,360                  | \$ 292,897                  |
| Plan fiduciary net position as a<br>percentage of total pension liability | 95.91%                      | 90.16%                      | 91.13%                      |
| Covered employee payroll  | \$ 1,659,825                | \$ 1,751,429                | \$ 1,703,567                |
| Net pension liability as a percentage of<br>covered employee payroll      | 7.04%                       | 17.26%                      | 17.19%                      |

**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 | Actuarially determined contribution | to the actuarially determined contribution | (3) = (2) - (1)<br>Contribution excess (deficiency) | (4)<br>Covered Payroll | 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%  |

**Note to Schedule:**

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rate for 2016:

|                               |   |
|-------------------------------|---|
| Actuarial Cost Method         | Entry Age Normal  |
| Amortization Method           | Level Percentage of Payroll, Closed   |
| Remaining Amortization Period | 28 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, 2017 (ultimately ten years will be displayed)  
 (Unaudited)**

| Fiscal year ending August 31,*   | 2017            | 2016            | 2015            |
|--|-----------------|-----------------|-----------------|
| City's Proportion of the Net Pension Liability   | 0.009%          | 0.013%          | 0.025%          |
| City's Proportionate Share of Net Pension Liability  | \$ 2,622        | \$ 3,470        | \$ 4,543        |
| States Proportionate Share of the<br>Net Pension Liability associated with the City                        | 228             | 325             | 570             |
| Total  | <u>\$ 2,850</u> | <u>\$ 3,795</u> | <u>\$ 5,113</u> |
| City's Covered Employee Payroll  | \$ 234,194      | \$ 228,701      | \$ 135,817      |
| City's Proportionate Share of the Net Pension Liability<br>as a percentage of its Covered Employee Payroll | 1.12%           | 1.52%           | 3.34%           |
| Plan Fiduciary Net Position as a percentage<br>of the Total Pension Liability                              | 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 2017 (ultimately ten years will be displayed)  
 (Unaudited)

| Fiscal year ending September 30,*                                      | 2017         | 2016         | 2015         |
|--|--------------|--------------|--------------|
| Contractually Required Contribution                                    | \$ 432       | \$ 432       | \$ 612       |
| Contribution in Relation to the Contractually<br>Required Contribution | <u>(432)</u> | <u>(432)</u> | <u>(612)</u> |
| Contribution Deficiency (Excess)                                       | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| City's Covered Employee Payroll  | \$ 234,194   | \$ 228,701   | \$ 135,817   |
| Contributions as a percentage of Covered Employee Payroll              | 0.18%        | 0.19%        | 0.45%        |

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

**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, 2017

|  | Volunteer<br>Fire<br>Department | Parks<br>Special | Police<br>Special | Court<br>Security | Court<br>Time<br>Payment<br>Fees | Court<br>Technology | Law<br>Enforcement<br>Education | Forfeited<br>Contraband | Tourism          | Festivals        | Totals            |
|--|---------------------------------|------------------|-------------------|-------------------|----------------------------------|---------------------|---------------------------------|-------------------------|------------------|------------------|-------------------|
| <b>ASSETS</b>  |                                 |                  |                   |                   |                                  |                     |                                 |                         |                  |                  |                   |
| Cash and Cash Equivalents                            | \$ 8,573                        | \$ 1,064         | \$ 201            | \$ 87,539         | \$ 7,159                         | \$ 3,465            | \$ 15,148                       | \$ 2,712                | \$220,670        | \$ 26,584        | \$ 373,115        |
| Receivables (Net of<br>Allowance for Uncollectibles) | -                               | -                | -                 | -                 | -                                | -                   | -                               | -                       | 20,278           | -                | 20,278            |
| Due From Other Funds                                 | -                               | -                | -                 | -                 | -                                | -                   | -                               | -                       | -                | 125              | 125               |
| Total Assets   | <u>\$ 8,573</u>                 | <u>\$ 1,064</u>  | <u>\$ 201</u>     | <u>\$ 87,539</u>  | <u>\$ 7,159</u>                  | <u>\$ 3,465</u>     | <u>\$ 15,148</u>                | <u>\$ 2,712</u>         | <u>\$240,948</u> | <u>\$ 26,709</u> | <u>\$ 393,518</u> |
| <b>LIABILITIES</b>                                   |                                 |                  |                   |                   |                                  |                     |                                 |                         |                  |                  |                   |
| Liabilities  |                                 |                  |                   |                   |                                  |                     |                                 |                         |                  |                  |                   |
| Accounts Payable<br>and Other Current Liabilities    | \$ -                            | \$ 521           | \$ -              | \$ -              | \$ -                             | \$ -                | \$ -                            | \$ -                    | \$ -             | \$ -             | \$ 521            |
| Total Liabilities                                    | -                               | 521              | -                 | -                 | -                                | -                   | -                               | -                       | -                | -                | 521               |
| <b>FUND BALANCES</b>                                 |                                 |                  |                   |                   |                                  |                     |                                 |                         |                  |                  |                   |
| Restricted for:                                      |                                 |                  |                   |                   |                                  |                     |                                 |                         |                  |                  |                   |
| Unassigned   | 8,573                           | 543              | 201               | 87,539            | 7,159                            | 3,465               | 15,148                          | 2,712                   | 240,948          | 26,709           | 392,997           |
| Total Fund Balances                                  | <u>8,573</u>                    | <u>543</u>       | <u>201</u>        | <u>87,539</u>     | <u>7,159</u>                     | <u>3,465</u>        | <u>15,148</u>                   | <u>2,712</u>            | <u>240,948</u>   | <u>26,709</u>    | <u>392,997</u>    |
| Total Liabilities and Fund Balance                   | <u>\$ 8,573</u>                 | <u>\$ 1,064</u>  | <u>\$ 201</u>     | <u>\$ 87,539</u>  | <u>\$ 7,159</u>                  | <u>\$ 3,465</u>     | <u>\$ 15,148</u>                | <u>\$ 2,712</u>         | <u>\$240,948</u> | <u>\$ 26,709</u> | <u>\$ 393,518</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, 2017

|                                | Volunteer<br>Fire<br>Department | Parks<br>Special | Police<br>Special | Court<br>Security | Court<br>Time<br>Payment<br>Fees | Court<br>Technology | Law<br>Enforcement<br>Education | Forfeited<br>Contraband | Tourism          | Festivals        | Totals            |
|--------------------------------|---------------------------------|------------------|-------------------|-------------------|----------------------------------|---------------------|---------------------------------|-------------------------|------------------|------------------|-------------------|
| <b>REVENUES</b>                |                                 |                  |                   |                   |                                  |                     |                                 |                         |                  |                  |                   |
| Hotel Occupancy Tax            | \$ -                            | \$ -             | \$ -              | \$ -              | \$ -                             | \$ -                | \$ -                            | \$ -                    | \$ 81,155        | \$ -             | \$ 81,155         |
| Fines and Forfeitures          | -                               | -                | -                 | 2,549             | 1,069                            | 3,399               | -                               | 1,078                   | -                | -                | 8,095             |
| Investment Earnings            | 29                              | 5                | 17                | 195               | 27                               | 10                  | 18                              | 8                       | 563              | 80               | 952               |
| Other                          | -                               | -                | -                 | -                 | -                                | -                   | 2,537                           | -                       | -                | 24,670           | 27,207            |
| Contributions and Donations    | 14,589                          | -                | 300               | -                 | -                                | -                   | -                               | -                       | -                | -                | 14,889            |
| Total Revenues                 | <u>\$ 14,618</u>                | <u>\$ 5</u>      | <u>\$ 317</u>     | <u>\$ 2,744</u>   | <u>\$ 1,096</u>                  | <u>\$ 3,409</u>     | <u>\$ 2,555</u>                 | <u>\$ 1,086</u>         | <u>\$ 81,718</u> | <u>\$ 24,750</u> | <u>\$ 132,298</u> |
| <b>EXPENDITURES</b>            |                                 |                  |                   |                   |                                  |                     |                                 |                         |                  |                  |                   |
| Current (Operating)            |                                 |                  |                   |                   |                                  |                     |                                 |                         |                  |                  |                   |
| Municipal                      | \$ -                            | \$ -             | \$ -              | \$ 400            | \$ 767                           | \$ 5,971            | \$ -                            | \$ -                    | \$ -             | \$ -             | \$ 7,138          |
| Police Protection              | -                               | -                | 4,234             | -                 | -                                | -                   | 3,329                           | 500                     | -                | -                | 8,063             |
| Fire Protection                | 21,567                          | -                | -                 | -                 | -                                | -                   | -                               | -                       | -                | -                | 21,567            |
| Economic Development           | -                               | -                | -                 | -                 | -                                | -                   | -                               | -                       | 35,006           | 59,461           | 94,467            |
| Total Expenditures             | <u>21,567</u>                   | <u>-</u>         | <u>4,234</u>      | <u>400</u>        | <u>767</u>                       | <u>5,971</u>        | <u>3,329</u>                    | <u>500</u>              | <u>35,006</u>    | <u>59,461</u>    | <u>131,235</u>    |
| <b>OTHER FINANCING SOURCES</b> |                                 |                  |                   |                   |                                  |                     |                                 |                         |                  |                  |                   |
| Transfers In (Out)             | -                               | -                | -                 | -                 | -                                | -                   | -                               | -                       | (13,500)         | 13,500           | -                 |
| Net Change in Fund Balance     | <u>(6,949)</u>                  | <u>5</u>         | <u>(3,917)</u>    | <u>2,344</u>      | <u>329</u>                       | <u>(2,562)</u>      | <u>(774)</u>                    | <u>586</u>              | <u>33,212</u>    | <u>(21,211)</u>  | <u>1,063</u>      |
| Fund Balances- Beginning       | <u>15,522</u>                   | <u>538</u>       | <u>4,118</u>      | <u>85,195</u>     | <u>6,830</u>                     | <u>6,027</u>        | <u>15,922</u>                   | <u>2,126</u>            | <u>207,736</u>   | <u>47,920</u>    | <u>391,934</u>    |
| Fund Balances - Ending         | <u>\$ 8,573</u>                 | <u>\$ 543</u>    | <u>\$ 201</u>     | <u>\$ 87,539</u>  | <u>\$ 7,159</u>                  | <u>\$ 3,465</u>     | <u>\$ 15,148</u>                | <u>\$ 2,712</u>         | <u>\$240,948</u> | <u>\$ 26,709</u> | <u>\$ 392,997</u> |

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