

**City of Gilmer, Texas
Annual Comprehensive Financial Report
For the Fiscal Year Ended September 30, 2023**



Lake Gilmer



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CITY OF GILMER, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2023

ISSUED BY

CITY OF GILMER, TEXAS

GREG HUTSON
CITY MANAGER

City of Gilmer, Texas
Annual Comprehensive Financial Report
For The Year Ended September 30, 2023

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Introductory Section



May 7, 2024

The Honorable Mayor and City Council
of the City of Gilmer

The Texas Local Government Code states that a municipality shall have its records and accounts audited annually and shall have annual financial statements prepared based on the audit. The Annual Comprehensive Financial Report (ACFR) of the City of Gilmer, Texas (the "City") for the year ended September 30, 2023, is hereby submitted to fulfill that requirement.

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

Karen A. Jacks & Associates, P.C., has issued an unmodified ("clean") opinion on the City of Gilmer's financial statements for the year ended September 30, 2023. The independent auditors' report is located at the front of the financial section of this report.

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

PROFILES OF THE CITY

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

Court Judge. All other staff members work either directly or indirectly under the direction of the City Manager.

The combined Financial Statements of the City of Gilmer include all governmental activities, business-type activities, organizations, and functions for which the City exercises significant oversight responsibility. The criteria considered in determining governmental activities to be reported within the City's combined financial statements are based upon and consistent with those set forth in Section 2100 of GASB's "Codification of Governmental Accounting and Financial Reporting Standards". Based on this criterion the Gilmer Economic Development Corporation is included in this report as a component unit of the City of Gilmer.

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

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

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

LOCAL ECONOMY

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

City finances continue to improve with improving property tax collections as a result of higher property valuations, higher sales tax receipts, and improvement in other areas of city revenue. The City's property and sales tax receipts continue to improve year over year. Real estate sales and development continue to improve in and around Gilmer which should bode well for city finances in the future.

The area unemployment rate for FY 2023 ranged from a high of 4.7% in February to a low of 3.6% in April. The state unemployment rate ending FY 2023 was 3.8%. The unemployment rate continues to improve as the city, county, and state, benefit from the influx of people and jobs into the state from around the country.

The City and area economic development groups continue to combine efforts to make Gilmer and the surrounding area a better place to live, work, and play. The Economic Development Corporation, Gilmer Industrial Foundation, Upshur Area Business Roundtable, and Gilmer Area Chamber of Commerce are committed to marketing the City's assets and encouraging business relocation, retention, and entrepreneurial activity. The City of Gilmer is seeing continued growth and management believes we will continue to see increases in population and future development projects despite the economic headwinds we face in this state and country. The economic headwinds of prolonged higher inflation and interest rates will present challenges to the City; however, we feel we are in a good position financially to withstand such due to conservative and sound financial policies. Supply chain issues are improving but are still slow compared to past history.

LONG-TERM FINANCIAL PLANNING

The City's overall financial position is sound. The reserves in all funds are adequate and will continue to increase over the next 3-5 years. Continued focus by management on cost containment and increased revenues are crucial toward meeting this ongoing objective. In addition, these reserves are monitored which is accomplished through continual refinement of long-range fund projections.

Improvements to water and sewer infrastructure are a multi-year process using CARES Act funds and ARPA funds allocated to the city in 2021 and 2022. Such improvements continue to be a top priority for city leadership and will significantly improve sustainability within the City.

FINANCIAL PROCEDURES AND BUDGETARY CONTROLS

The City's accounting records for general government are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis. The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's financial management staff, and expenditure estimates by each City's division. Budgets are reviewed by the City Manager who submits a recommended budget to the City Council. The City Council approves all budget amendments.

MAJOR INITIATIVES

Major initiatives completed during the fiscal year include:

- SCADA generator for public works facility
- WWTP RAS pump improvements
- WWTP Sludge pump improvements
- Kimway Street drainage & improvements

Projects currently in process and/or undertaken in this fiscal year include:

- Airport GPS approach activation (requires clearances & respective survey)
- Wastewater plant/Civic Center generator project
- Yamboree Park children's playground
- WWTP Bar screen installation
- Abney Park redevelopment

- Purchase of additional property at Airport
- 2023 Street Improvements
 - Polk St (W Tyler to Warren) w/curb & gutter repair
 - Montgomery St (RR to Montgomery St)
 - East Jefferson St (SH271 to N. Cypress)

Projects (short term & long term) in the planning stage include:

- Yamboree Park redevelopment
- Roosevelt Park redevelopment
- Security cameras on town square
- GISD sewer project
- Water storage tank maintenance
- Western Hills subdivision storm drainage

OTHER INFORMATION

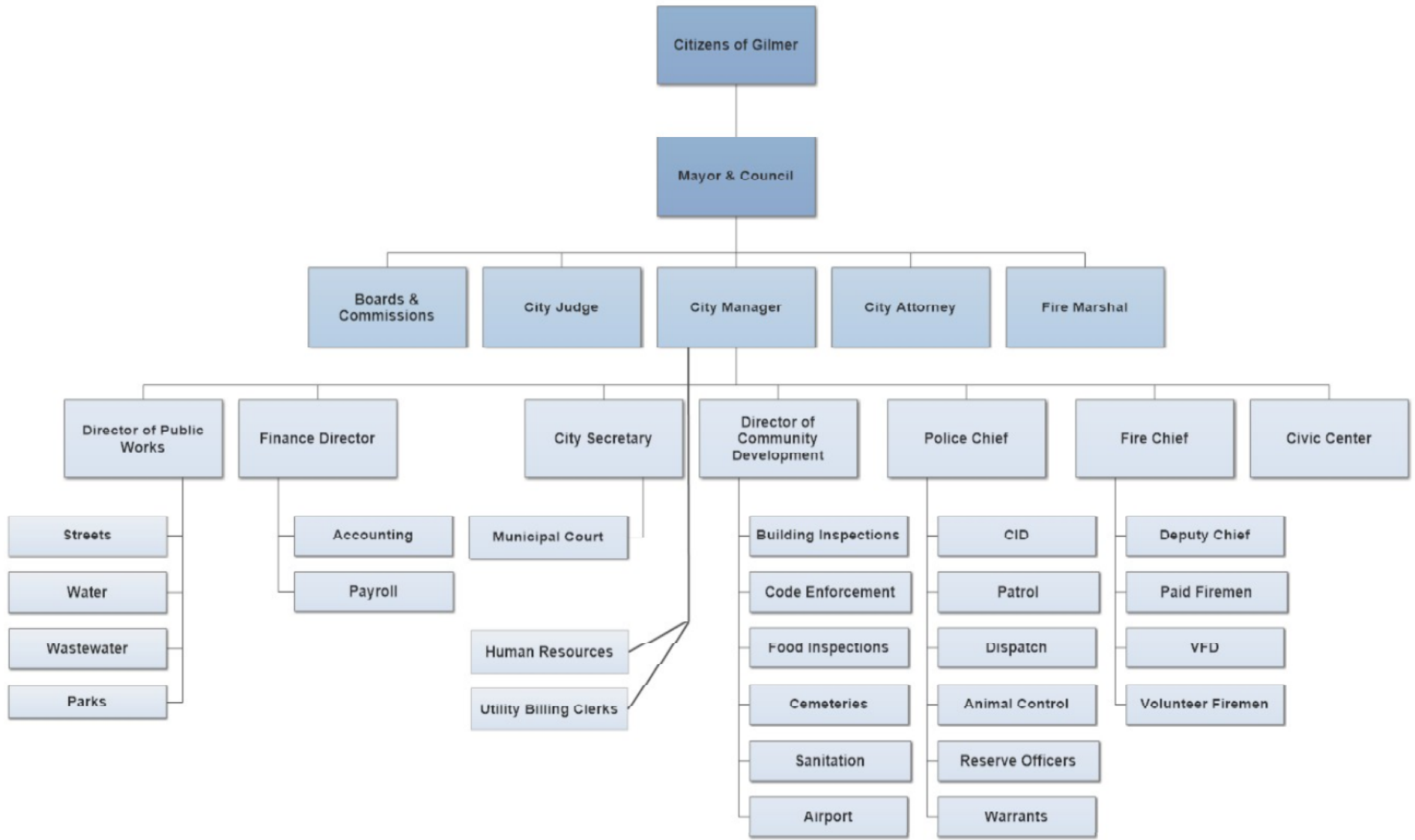
ARPA (American Rescue Plan Act) funds received in 2021 and 2022 continue to be used for sewer, wastewater, water, and drainage improvements. Additionally, the City has access to a TPWD grant awarded in 2022 in the amount of \$150,000 for Abney Park. The improvements to city parks continue and we are excited and looking forward to the day this project will be completed and the associated increase in quality of life for the residents of this community.

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

Respectfully submitted,

Greg Hutson
City Manager

City of Gilmer Organization Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Gilmer
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morrill

Executive Director/CEO

CITY OF GILMER, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2023

Elected Officials

<u>Name</u>	<u>Office</u>
Tim Marshall	Mayor
Jerry Webb	Council Member
Marty Jordan	Council Member
Edwin Herrmann	Council Member
Jasmine Cunningham	Council Member
Michael Chevalier	Council Member
Jarom Tefteller	Council Member

Appointed Officials

<u>Name</u>	<u>Position</u>
Greg Hutson	City Manager
Kimberly Smith	City Secretary

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Financial Section

KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

P.O. Box 3167
Longview, Texas 75606

Phone: 903-238-8822

1501 Colony Circle
Longview, Texas 75604

Fax: 903-238-9838

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

Chanie A. Johnson, CPA

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gilmer, Texas ("the City"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Gilmer, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gilmer, Texas as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Economic Development Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Gilmer, Texas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Gilmer, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gilmer, Texas' basic financial statements. The accompanying combining nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2024 on our consideration of City of Gilmer, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Gilmer, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Gilmer, Texas' internal control over financial reporting and compliance.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
May 7, 2024

City of Gilmer, Texas
Management's Discussion and Analysis
For Year Ended September 30, 2023

As management of the City of Gilmer, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information in the City's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The City of Gilmer's assets and deferred outflows of resources at September 30, 2023 totaled \$47,413,576 compared to its liabilities and deferred inflows of resources of \$16,663,360; the excess of assets over liabilities (net position) was \$30,750,216. The city's total net position increased by \$2,158,514.
- 2023 Approved Street improvements:
 - Pine Street (Montgomery to Stuart) requiring some curb repair/replacement
 - Pecan St (Cherokee Trace to Railroad)
 - Francis St (Crawford to U.S. 271 ROW)
- The General Fund revenues were \$4,575,088 with expenditures of \$4,152,431. There were also net transfers out of the General Fund from other funds of \$10,453 which resulted in an increase to fund balance of \$412,204. At September 30, 2023 the General Fund had a fund balance of \$3,446,128.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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 like a private-sector business.

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

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused compensated absences).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The

governmental activities of the City include general government and administration and public safety. The business-type activities of the City include water and sewer, airport and sanitation operations.

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

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water & Sewer and Sanitation funds since they are major funds of the City. The Airport fund is also included as an Enterprise fund, but is maintained separately.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Gilmer, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$30,750,216 as of September 30, 2023, an increase of \$2,158,514 from the previous year.

The largest portion of the City's net position, 68.50%, reflects its net investment in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF GILMER'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
Current and other assets	\$ 11,675,889	\$ 12,590,079	\$ 5,550,979	\$ 5,251,149	\$ 17,226,868	\$ 17,841,228
Capital assets	10,139,389	10,423,388	17,461,072	17,650,576	27,600,461	28,073,964
Total assets	<u>21,815,278</u>	<u>23,013,467</u>	<u>23,012,051</u>	<u>22,901,725</u>	<u>44,827,329</u>	<u>45,915,192</u>
Deferred outflows related to pensions	221,211	968,503	59,525	273,336	280,736	1,241,839
Deferred outflows related to OPEB	29,135	2,786	8,012	804	37,147	3,590
Loss on defeasance of debt	63,748	57,953	230,854	195,002	294,602	252,955
Total deferred outflows of resources	<u>314,094</u>	<u>1,029,242</u>	<u>298,391</u>	<u>469,142</u>	<u>612,485</u>	<u>1,498,384</u>
Current liabilities	940,866	946,779	983,344	1,050,777	1,924,210	1,997,556
Noncurrent liabilities, due in more than one year	8,864,699	9,614,799	5,366,055	5,000,936	14,230,754	14,615,735
Total liabilities	<u>9,805,565</u>	<u>10,561,578</u>	<u>6,349,399</u>	<u>6,051,713</u>	<u>16,154,964</u>	<u>16,613,291</u>
Deferred inflows related to pensions	540,465	204	145,778	-	686,243	204
Deferred inflows related to OPEB	5,416	38,694	1,489	11,171	6,905	49,865
Total deferred inflows of resources	<u>545,881</u>	<u>38,898</u>	<u>147,267</u>	<u>11,171</u>	<u>693,148</u>	<u>50,069</u>
Net position:						
Net investment in capital assets	7,809,291	8,379,265	11,842,507	12,685,690	19,651,798	21,064,955
Restricted	1,282,777	2,700,374	1,269,667	90,562	2,552,444	2,790,936
Unrestricted	2,685,858	2,362,594	3,701,602	4,531,731	6,387,460	6,894,325
Total net position	<u>\$ 11,777,926</u>	<u>\$ 13,442,233</u>	<u>\$ 16,813,776</u>	<u>\$ 17,307,983</u>	<u>\$ 28,591,702</u>	<u>\$ 30,750,216</u>

Analysis of the City's Operations- Overall the City had an increase in net position of \$2,158,514. Governmental activities increased the net position by \$1,664,307 and net position from business-type activities increased by \$494,207.

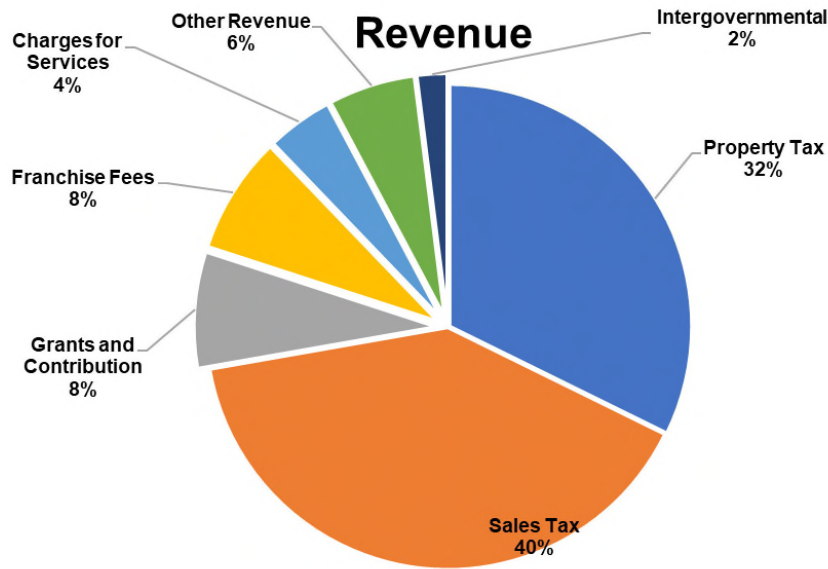
The following table provides a summary of the City's operations for the years ended September 30, 2022 and 2023.

CITY OF GILMER'S CHANGES IN NET POSITION

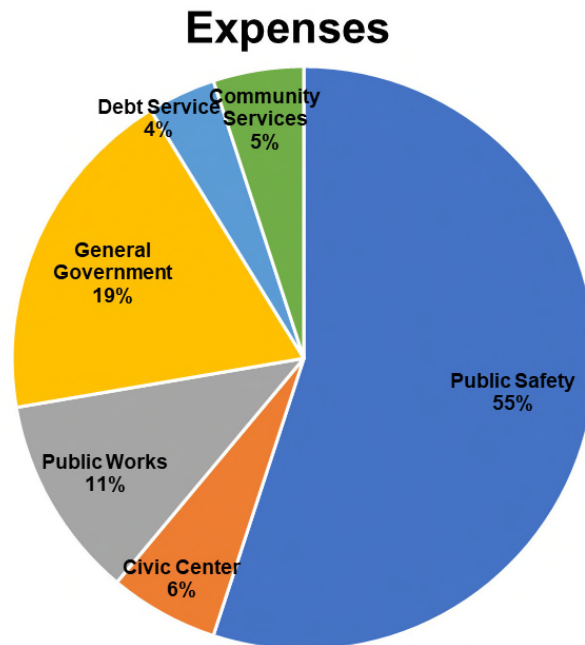
	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
REVENUES:						
PROGRAM REVENUES:						
Charges for services	\$ 424,190	\$ 439,378	\$ 3,220,901	\$ 3,392,924	\$ 3,645,091	\$ 3,832,302
Operating grants & contributions	1,325	2,828	7,165	31,837	8,490	34,665
Capital grants & contributions	-	529,175	639,700	508,000	639,700	1,037,175
GENERAL REVENUES						
Property taxes, levied for general purposes	1,504,308	1,630,452	-	-	1,504,308	1,630,452
Property taxes, levied for debt service	545,464	584,698	-	-	545,464	584,698
Sales taxes	1,699,604	1,832,085	-	-	1,699,604	1,832,085
Sales taxes for Economic Development	845,401	911,989	-	-	845,401	911,989
Franchise taxes	456,345	537,131	-	-	456,345	537,131
Other taxes	62,147	77,589	-	-	62,147	77,589
Penalty and interest	29,312	34,253	-	-	29,312	34,253
Investment earnings	87,041	228,538	11,855	15,175	98,896	243,713
Miscellaneous revenue	123,852	56,321	15,550	11,544	139,402	67,865
TOTAL REVENUES	5,778,989	6,864,437	3,895,171	3,959,480	9,674,160	10,823,917
EXPENSES						
Legislative	33,445	31,748	-	-	33,445	31,748
Municipal court	74,625	87,358	-	-	74,625	87,358
Executive/administration	225,431	399,591	-	-	225,431	399,591
Community development	140,531	174,556	-	-	140,531	174,556
Financial administration	149,381	160,860	-	-	149,381	160,860
Police	1,423,978	1,858,089	-	-	1,423,978	1,858,089
Fire protection	706,559	958,220	-	-	706,559	958,220
Highways and streets	454,661	574,841	-	-	454,661	574,841
Parks	62,341	72,034	-	-	62,341	72,034
Lake	9,081	10,278	-	-	9,081	10,278
Civic center	288,590	309,638	-	-	288,590	309,638
Economic Development	287,427	287,427	-	-	287,427	287,427
Non-departmental	239,736	-	-	-	239,736	-
Interest	180,172	186,264	-	-	180,172	186,264
Fiscal agent fees	3,400	7,297	-	-	3,400	7,297
Water & sewer	-	-	1,917,073	2,293,898	1,917,073	2,293,898
Sanitation	-	-	843,035	995,773	843,035	995,773
Airport	-	-	236,892	257,531	236,892	257,531
TOTAL EXPENSES	4,279,358	5,118,201	2,997,000	3,547,202	7,276,358	8,665,403
Increase in net position before transfers	1,499,631	1,746,236	898,171	412,278	2,397,802	2,158,514
Transfers in (out)	(334,759)	(81,929)	334,759	81,929	-	-
CHANGES IN NET POSITION	1,164,872	1,664,307	1,232,930	494,207	2,397,802	2,158,514
NET POSITION - BEGINNING	10,613,054	11,777,926	15,580,846	16,813,776	26,193,900	28,591,702
NET POSITION - ENDING	\$ 11,777,926	\$ 13,442,233	\$ 16,813,776	\$ 17,307,983	\$ 28,591,702	\$ 30,750,216

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

For the year ended September 30, 2023, revenues from governmental activities totaled \$6,864,437. Property tax, sales tax, and charges for services are the City's largest revenue source. Property tax receipts increased due to a 12.33% increase in property tax values. Property tax values increased \$47,729,090 to \$434,935,874 from the previous year of \$387,206,784. Sales tax receipts continue to trend higher in spite of headwinds to the economy.

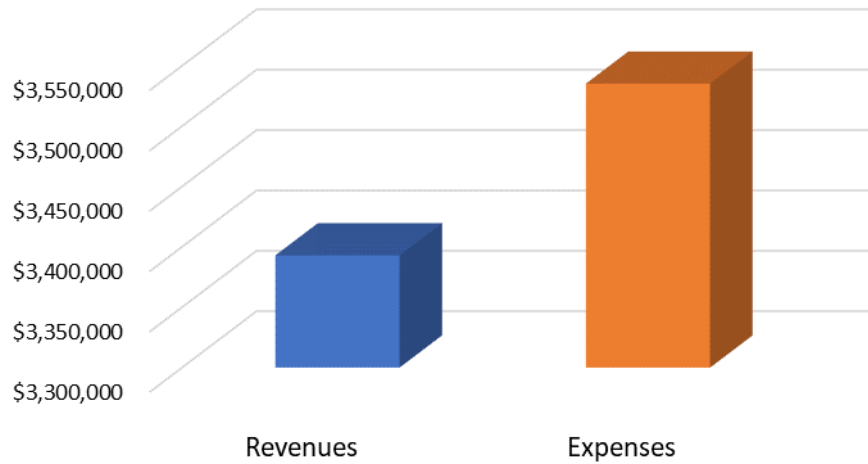


For the year ended September 30, 2023, expenses for governmental activities totaled \$5,118,201. This represents an increase of \$838,842 or 19.60% from the prior year. The City's largest functional expense is public safety of \$2,816,309 which increased \$685,772 or 14.92% from the prior year. This increase is largely the result of personnel salary/benefits adjustments as well as the overall increase in the inflation rate causing goods and services to increase as well. General government decreased \$67,067 or 9.21% primarily due to reallocation of non-departmental expenses to the various departments.



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

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2023, charges for services by business-type activities totaled \$3,392,924. This is an increase of \$172,023 or 5.34% from the previous year as a result of dryer weather than what is normal during the spring and summer months.

Total expenses increased by \$550,202 or 18.36% from the previous year due to inflationary pressures in the overall economy and upward adjustments to personnel costs to try and stay competitive in the area labor market.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

The City of Gilmer's general fund reported at end of the current fiscal year, an ending fund balance of \$3,446,128 which is an increase of \$412,204 from last fiscal year's balance of \$3,033,924. The prior year fund balance was restated by a prior period adjustment of (\$536,605) in the current year. This increase is attributed to increases in property and sales tax revenues that helped cover the inflationary pressures across the board and personnel wage adjustments. The City experienced higher property valuations, more real estate sales, and saw an increase in new residential and commercial construction. The new commercial construction has also contributed to the increase of sales tax revenue. Of the current balance, \$2,862,657 constitutes unassigned fund balance. The remainder of the fund balance is restricted by statute or its providers, such as street maintenance (\$235,277) and other purposes (\$192,333) or has been assigned by the City to express intent for a narrower purpose than general government obligations (\$155,861) and to indicate that it is not available for new spending because it has already been obligated for debt service or other restricted purposes, or assigned a specific City initiative. Information on the amounts restricted or assigned for other purposes can be found in the Notes to the Financial Statements on page 63 of this report.

The City of Gilmer's Economic Development Fund reported at end of the current fiscal year, an ending fund balance of \$1,849,146 which is an increase of \$636,933 from last fiscal year's balance of \$1,212,213. The prior year fund balance was restated for a prior period adjustment of \$536,605 in the current year.

The City of Gilmer's Debt Service Fund reported at end of the current fiscal year, an ending fund balance of \$85,962 which is a decrease of \$88,902 from last fiscal year's balance of \$174,864. This decrease is primarily due to budgeted transfers being \$119,425 less in the current fiscal year. This fund balance is restricted by statute for debt service and is not available for new spending.

The City of Gilmer's Parks Capital Projects Fund at end of the current fiscal year, an ending fund balance of \$6,573,050 which is an increase in the amount of \$48,689 from last year's balance of \$6,524,361. This increase is due to receipts of interest paid. These funds, plus TPWD grants and community donations continue to be used for parks improvements and upgrades. In the previous year, TPWD awarded the City of Gilmer a local grant in the amount of \$150,000. This grant is designated for and will go towards Abney Park improvements. Funds spent on Abney Park are reimbursable through this grant.

The City of Gilmer's other governmental funds reported at end of the current fiscal year, an ending fund balance of \$148,154 which is an increase of \$4,844 from last fiscal year's balance of \$143,310. The fund balance is restricted by statute or its providers, such as other purposes (\$148,154) to indicate that it is not available for new spending because it has already been obligated for restricted purposes. Information on the amounts restricted for other purposes can be found in the Notes to the Financial Statements on page 63 of this report.

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

Total net position of the Water and Sewer fund at end of the current fiscal year was \$13,436,239 which represents an increase of \$605,810 due to a capital contribution of \$508,000 for infrastructure to a new subdivision that the City annexed in FY23. Of the total net position, \$3,664,114 represents unrestricted net position at the end of the current fiscal year.

Total net position of the Sanitation fund at the end of the current fiscal year was \$825,720 which represents an increase of \$34,875 which is attributable to the normal operating results of this fund. Total revenues exceeded expenditures by \$34,875. Of the total net position, \$595,236 represents unrestricted net position at the end of the current fiscal year.

Total net position of the Airport fund at the end of the current fiscal year was \$3,046,024 which represents a decrease of \$146,478 primarily due to depreciation expense of \$202,790. Of the total net position, \$272,381 represents unrestricted net position at the end of the current fiscal year.

General Fund Budget vs. Actual Variances-Total actual revenues exceeded budgeted revenues by \$556,810 for the current fiscal year primarily due to actual sales tax receipts exceeding budgeted sales tax by \$323,602. Management philosophy is to budget conservatively regarding sales tax since it reflects consumer sentiment and behavior. Consumers tend to cut back on discretionary items depending on the economy and the budgeted amounts have reflected that. It was unknown what effect the pandemic would have on sales tax. Management is striving to decrease this variance by using predictive tools and methods to decrease large variances in sales tax revenue.

Other revenue line-item variances that were negative in nature, were not significant and/or were offset by other revenue line items that contained positive variances.

Total actual expenditures were less than total budgeted expenditures for the current fiscal year by \$146,869 contributing to an excess of revenues over expenditures in the amount of \$422,657. This increase is primarily due to decreased personnel costs across most departments. Several departments experienced prolonged vacancies of positions in their respective departments.

Lastly, 60% of transfers in is due to the 15% administrative fee assessed against the EDC sales tax to use for capital improvements to infrastructure during the current fiscal year.

CAPITAL ASSETS

The City of Gilmer's investment in capital assets for its governmental and business-type activities as of September 30, 2023 amounts to \$28,073,964 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, improvements, machinery & equipment, and construction in progress. For more information, please refer to Note D, Capital Assets, p. 47-48.

Capital Assets at Year-end Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
Land	\$ 1,727,028	\$ 1,727,028	\$ 5,413,639	\$ 5,413,638	\$ 7,140,667	\$ 7,140,666
Infrastructure	4,420,315	4,856,103	11,039,626	11,278,600	15,459,941	16,134,703
Buildings	2,918,076	2,852,808	618,300	602,179	3,536,376	3,454,987
Machinery & equipment	1,009,170	796,249	382,007	284,658	1,391,177	1,080,907
Construction in progress	64,800	191,200	7,500	71,501	72,300	262,701
Total	\$ 10,139,389	\$ 10,423,388	\$ 17,461,072	\$ 17,650,576	\$ 27,600,461	\$ 28,073,964

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Gilmer had total long-term debt of \$13,380,772. Of this amount, \$6,203,836 comprises bonded debt backed by the full faith and credit of the government, \$24,848 represents the balance of a note payable backed by the full faith and credit of the government, while \$4,170,000 represents bonds secured solely by water and sewer revenues and \$661,165 represents Combination Tax and Revenue Certificates of Obligation which are secured by tax receipts as well as water and sewer revenue. The remainder amount of \$1,380,000 does not constitute an obligation of the City of Gilmer but is reported herein as an obligation of its component unit, Gilmer Economic Development Corporation. For more information, please refer to Note F, Long-Term Obligations, p.49-51.

Outstanding Debt at Year End Bonds and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
General Obligation Bonds	\$ 6,596,531	\$ 6,203,836	\$ -	\$ -	\$ 6,596,531	\$ 6,203,836
Revenue Bonds Payable	-	-	4,660,000	4,170,000	4,660,000	4,170,000
Notes	30,573	24,848	-	-	30,573	24,848
Tax & Revenue CO	-	-	818,469	661,165	818,469	661,165
Premium on issuance of debt	649,284	612,199	370,950	328,724	1,020,234	940,923
Sub-total	7,276,388	6,840,883	5,849,419	5,159,889	13,125,807	12,000,772
Sales Tax Revenue Bonds	1,500,000	1,380,000	-	-	1,500,000	1,380,000
Sub-total	1,500,000	1,380,000	-	-	1,500,000	1,380,000
Total	\$ 8,776,388	\$ 8,220,883	\$ 5,849,419	\$ 5,159,889	\$ 14,625,807	\$ 13,380,772

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2023-2024 budget and rates. Sales tax receipts had shown an increase in fiscal year 2022-2023 over the previous four years; however, the revenue was still budgeted conservatively. Management will continue to monitor and stay on top of current events such as inflationary challenges, a potential recession, and other events that could negatively impact consumer sentiment and behavior, thus city finances. The city sales tax rate is 1.5%. Of that rate, .5% is allocated for economic development and the remainder for general government. The city collected taxes on beer and wine sales but the total for the year was not material. The property tax rate for 2023-2024 decreased to \$.514680/\$100 from the 2022-2023 rate of \$.570794/\$100. The 2023-2024 tax rate is the voter approval rate.

REQUEST FOR INFORMATION

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

Basic Financial Statements

CITY OF GILMER, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 10,166,820	\$ 3,837,324	\$ 14,004,144
Restricted cash	--	156,169	156,169
Investments	1,363,962	944,171	2,308,133
Receivables:			
Taxes	364,199	--	364,199
Accounts	--	580,769	580,769
Other	159,360	40,367	199,727
Internal balances	307,651	(307,651)	--
Prepaid expenses	228,087	--	228,087
Capital assets not subject to depreciation	1,918,228	5,485,139	7,403,367
Capital assets, net of accumulated depreciation	8,505,160	12,165,437	20,670,597
Total Assets	<u>23,013,467</u>	<u>22,901,725</u>	<u>45,915,192</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows related to pensions	968,503	273,336	1,241,839
Deferred outflows related to OPEB	2,786	804	3,590
Loss on defeasance of debt	57,953	195,002	252,955
Total deferred outflows of resources	<u>1,029,242</u>	<u>469,142</u>	<u>1,498,384</u>
LIABILITIES:			
Accounts payable	68,164	97,503	165,667
Accrued wages	86,377	24,248	110,625
Other liabilities	33,189	--	33,189
Accrual for compensated absences	154,306	15,628	169,934
Accrued interest payable	29,464	41,584	71,048
Unearned revenue	4,500	1,200	5,700
Customer deposits, payable from restricted assets	--	156,169	156,169
Noncurrent liabilities:			
Due within one year	570,779	714,445	1,285,224
Due in more than one year	7,650,104	4,445,444	12,095,548
Net pension liability	1,838,165	518,957	2,357,122
Net OPEB liability	126,530	36,535	163,065
Total liabilities	<u>10,561,578</u>	<u>6,051,713</u>	<u>16,613,291</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to pensions	204	--	204
Deferred inflows related to OPEB	38,694	11,171	49,865
Total deferred inflows of resources	<u>38,898</u>	<u>11,171</u>	<u>50,069</u>
NET POSITION:			
Net Investment in Capital Assets	8,379,265	12,685,690	21,064,955
Restricted For:			
Debt Service	56,498	90,562	147,060
Capital Projects	454,243	--	454,243
Other Purposes	2,189,633	--	2,189,633
Unrestricted	2,362,594	4,531,731	6,894,325
Total Net Position	<u>\$ 13,442,233</u>	<u>\$ 17,307,983</u>	<u>\$ 30,750,216</u>

The accompanying notes are an integral part of this statement.

CITY OF GILMER, TEXAS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
Legislative	\$ 31,748	\$ --	\$ --	\$ --
Municipal Court	87,358	--	--	--
Executive/administration	399,591	14,400	--	--
Community development	174,556	64,735	--	--
Financial administration	160,860	--	--	--
Police	1,858,089	182,553	1,153	--
Fire protection	958,220	136,800	--	--
Highways and streets	574,841	--	--	529,175
Parks	72,034	--	--	--
Lake	10,278	--	--	--
Civic Center	309,638	40,890	1,675	--
Economic development	287,427	--	--	--
Interest	186,264	--	--	--
Fiscal agent fees	7,297	--	--	--
Total Governmental Activities	<u>5,118,201</u>	<u>439,378</u>	<u>2,828</u>	<u>529,175</u>
Business-type Activities:				
Water & Sewer	2,293,898	2,283,409	--	508,000
Sanitation	995,773	1,030,299	--	--
Gilmer Airport	257,531	79,216	31,837	--
Total Business-type Activities	<u>3,547,202</u>	<u>3,392,924</u>	<u>31,837</u>	<u>508,000</u>
Total Primary Government	<u>\$ 8,665,403</u>	<u>\$ 3,832,302</u>	<u>\$ 34,665</u>	<u>\$ 1,037,175</u>

General Revenues:
 Property Taxes levied for general purposes
 Property Taxes levied for debt service
 Sales taxes
 Sales taxes for Economic Development
 Franchise Taxes
 Other Taxes
 Penalty and Interest
 Investment Earnings
 Miscellaneous
 Transfers in (out)
 Total General Revenues

Change in Net Position
 Net Position - Beginning
 Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (31,748)		\$ (31,748)
(87,358)		(87,358)
(385,191)		(385,191)
(109,821)		(109,821)
(160,860)		(160,860)
(1,674,383)		(1,674,383)
(821,420)		(821,420)
(45,666)		(45,666)
(72,034)		(72,034)
(10,278)		(10,278)
(267,073)		(267,073)
(287,427)		(287,427)
(186,264)		(186,264)
(7,297)		(7,297)
<u>(4,146,820)</u>		<u>(4,146,820)</u>
--	\$ 497,511	497,511
--	34,526	34,526
--	(146,478)	(146,478)
<u>--</u>	<u>385,559</u>	<u>385,559</u>
<u>(4,146,820)</u>	<u>385,559</u>	<u>(3,761,261)</u>
1,630,452	--	1,630,452
584,698	--	584,698
1,832,085	--	1,832,085
911,989	--	911,989
537,131	--	537,131
77,589	--	77,589
34,253	--	34,253
228,538	15,175	243,713
56,321	11,544	67,865
(81,929)	81,929	--
<u>5,811,127</u>	<u>108,648</u>	<u>5,919,775</u>
1,664,307	494,207	2,158,514
11,777,926	16,813,776	28,591,702
<u>\$ 13,442,233</u>	<u>\$ 17,307,983</u>	<u>\$ 30,750,216</u>

CITY OF GILMER, TEXAS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2023

	General Fund	Economic Development Fund
	<u> </u>	<u> </u>
ASSETS AND OTHER DEBITS:		
Cash	\$ 3,091,244	\$ 477,745
Investments	884,414	479,548
Receivables:		
Taxes	364,199	--
Due from other funds	59,000	902,309
Other receivable	22,798	--
Prepaid expenditures	--	--
TOTAL ASSETS	<u>\$ 4,421,655</u>	<u>\$ 1,859,602</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE:		
LIABILITIES:		
Accounts payable	\$ 64,436	\$ --
Due to other funds	646,590	10,456
Unearned revenue	4,500	--
Other liabilities	17,449	--
Accrued wages	84,133	--
Accrual for compensated absences	7,287	--
TOTAL LIABILITIES	<u>824,395</u>	<u>10,456</u>
 DEFERRED INFLOWS OF RESOURCES:		
Deferred property tax revenue	151,132	--
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>151,132</u>	<u>--</u>
 FUND BALANCE:		
Nonspendable	--	--
Restricted for debt service	--	--
Restricted for construction	--	--
Restricted for other purposes	192,333	1,849,146
Committed for street maintenance	235,277	--
Assigned	155,861	--
Unassigned	2,862,657	--
TOTAL FUND BALANCE	<u>3,446,128</u>	<u>1,849,146</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 4,421,655</u>	<u>\$ 1,859,602</u>

The accompanying notes are an integral part of this statement.

Debt Service Fund	Parks Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 85,962	\$ 6,344,963	\$ 166,906	\$ 10,166,820
--	--	--	1,363,962
--	--	--	364,199
--	--	3,388	964,697
--	--	--	22,798
--	228,087	--	228,087
<u>\$ 85,962</u>	<u>\$ 6,573,050</u>	<u>\$ 170,294</u>	<u>\$ 13,110,563</u>
\$ --	\$ --	\$ 3,728	\$ 68,164
--	--	--	657,046
--	--	--	4,500
--	--	15,740	33,189
--	--	2,244	86,377
--	--	428	7,715
<u>--</u>	<u>--</u>	<u>22,140</u>	<u>856,991</u>
--	--	--	151,132
<u>--</u>	<u>--</u>	<u>--</u>	<u>151,132</u>
--	228,087	--	228,087
85,962	--	--	85,962
--	6,344,963	--	6,344,963
--	--	148,154	2,189,633
--	--	--	235,277
--	--	--	155,861
--	--	--	2,862,657
<u>85,962</u>	<u>6,573,050</u>	<u>148,154</u>	<u>12,102,440</u>
<u>\$ 85,962</u>	<u>\$ 6,573,050</u>	<u>\$ 170,294</u>	<u>\$ 13,110,563</u>

CITY OF GILMER, TEXASRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Total fund balances - governmental funds balance sheet	\$ 12,102,440
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	10,423,388
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	151,132
Payables for bond principal which are not due in the current period are not reported in the funds.	(7,583,836)
Payables for debt interest which are not due in the current period are not reported in the funds.	(29,464)
Payables for notes which are not due in the current period are not reported in the funds.	(24,848)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(146,591)
Bond premiums are amortized in the SNA but not in the funds.	(612,199)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	136,562
Loss on defeasance of debt is not reported in the funds.	57,953
Recognition of the City's net pension liability is not reported in the funds.	(1,838,165)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(204)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	968,503
Recognition of the City's net OPEB liability is not reported in the funds.	(126,530)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(38,694)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>2,786</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 13,442,233</u>

The accompanying notes are an integral part of this statement.

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CITY OF GILMER, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Economic Development Fund
	<u> </u>	<u> </u>
REVENUES:		
Property taxes	\$ 1,634,827	\$ --
Penalty and interest	34,253	--
Sales tax	1,832,085	911,989
Franchise fees	537,131	--
Other taxes	77,589	--
Fines and forfeitures	172,524	--
Licenses and permits	64,735	--
Intergovernmental revenue and grants	136,800	--
Investment income	21,516	17,939
Rents and royalties	17,381	--
Grant revenue	1,153	--
Other revenue	45,094	--
TOTAL REVENUES	<u>4,575,088</u>	<u>929,928</u>
EXPENDITURES:		
Current:		
Legislative	31,748	--
Municipal court	83,545	--
Executive/administration	389,056	--
Community development	164,052	--
Financial administration	156,873	--
Police	1,735,704	--
Fire protection	817,418	--
Highways and streets	698,630	--
Parks	69,487	--
Lake	5,918	--
Civic center	--	--
Principal on long-term debt	--	120,000
Interest on long-term debt	--	32,400
Debt service fees	--	3,797
TOTAL EXPENDITURES	<u>4,152,431</u>	<u>156,197</u>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	<u>422,657</u>	<u>773,731</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	437,936	--
Transfers out	(448,389)	(136,798)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,453)</u>	<u>(136,798)</u>
NET CHANGE IN FUND BALANCES	412,204	636,933
FUND BALANCE - BEGINNING	3,570,529	675,608
Prior Period Adjustment	(536,605)	536,605
FUND BALANCE - ENDING	<u>\$ 3,446,128</u>	<u>\$ 1,849,146</u>

The accompanying notes are an integral part of this statement.

Debt Service Fund	Parks Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 584,698	\$ --	\$ --	\$ 2,219,525
--	--	--	34,253
--	--	--	2,744,074
--	--	--	537,131
--	--	--	77,589
--	--	--	172,524
--	--	--	64,735
--	--	--	136,800
406	187,389	1,288	228,538
--	--	40,595	57,976
--	--	--	1,153
--	--	10,216	55,310
<u>585,104</u>	<u>187,389</u>	<u>52,099</u>	<u>6,329,608</u>
--	--	--	31,748
--	--	--	83,545
--	--	--	389,056
--	--	--	164,052
--	--	--	156,873
--	--	--	1,735,704
--	--	--	817,418
--	--	--	698,630
--	138,700	--	208,187
--	--	--	5,918
--	--	197,617	197,617
392,696	--	5,725	518,421
186,136	--	909	219,445
3,500	--	--	7,297
<u>582,332</u>	<u>138,700</u>	<u>204,251</u>	<u>5,233,911</u>
<u>2,772</u>	<u>48,689</u>	<u>(152,152)</u>	<u>1,095,697</u>
296,000	--	156,996	890,932
(387,674)	--	--	(972,861)
<u>(91,674)</u>	<u>--</u>	<u>156,996</u>	<u>(81,929)</u>
(88,902)	48,689	4,844	1,013,768
174,864	6,524,361	143,310	11,088,672
--	--	--	--
<u>\$ 85,962</u>	<u>\$ 6,573,050</u>	<u>\$ 148,154</u>	<u>\$ 12,102,440</u>

CITY OF GILMER, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net change in fund balances - total governmental funds	\$ 1,013,768
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,148,893
The depreciation of capital assets used in governmental activities is not reported in the funds.	(864,894)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(4,375)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	512,695
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	5,726
(Increase) decrease in accrued interest from beginning of period to end of period.	1,892
The accrued liability for compensated absences that do not require the use of current financial resources is not reported in the funds.	(60,680)
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	10,029
Bond premiums are reported in the funds but not in the SOA.	37,084
Amortization of the loss on defeasance of debt is reported in the SOA but not in the funds.	(5,795)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	186,433
The City's unrecognized deferred inflows and outflows for the pension plan were amortized.	(16,496)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(301,859)
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.	2,786
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	<u>(900)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,664,307</u>

The accompanying notes are an integral part of this statement.

CITY OF GILMER, TEXAS

EXHIBIT A-7

GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 1,631,982	\$ 1,631,982	\$ 1,634,827	\$ 2,845
Penalty and interest	14,000	14,000	34,253	20,253
Sales tax	1,508,483	1,508,483	1,832,085	323,602
Franchise fees	413,800	413,800	537,131	123,331
Other taxes	57,500	57,500	77,589	20,089
Fines and forfeitures	175,475	175,475	172,524	(2,951)
Licenses and permits	43,000	43,000	64,735	21,735
Intergovernmental revenue and grants	136,800	136,800	136,800	--
Investment income	15,500	15,500	21,516	6,016
Rents and royalties	2,600	2,600	17,381	14,781
Grant revenue	--	--	1,153	1,153
Other revenue	8,480	19,138	45,094	25,956
TOTAL REVENUES	<u>4,007,620</u>	<u>4,018,278</u>	<u>4,575,088</u>	<u>556,810</u>
EXPENDITURES:				
Current:				
Legislative	37,146	37,146	31,748	5,398
Municipal court	86,137	86,137	83,545	2,592
Executive/administration	442,416	337,953	389,056	(51,103)
Community development	184,571	184,571	164,052	20,519
Financial administration	121,375	140,613	156,873	(16,260)
Police	1,770,830	1,802,988	1,735,704	67,284
Fire protection	834,171	900,621	817,418	83,203
Highways and streets	328,753	737,742	698,630	39,112
Parks	67,329	67,329	69,487	(2,158)
Lake	4,200	4,200	5,918	(1,718)
TOTAL EXPENDITURES	<u>3,876,928</u>	<u>4,299,300</u>	<u>4,152,431</u>	<u>146,869</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>130,692</u>	<u>(281,022)</u>	<u>422,657</u>	<u>703,679</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	457,534	548,103	437,936	(110,167)
Transfers out	(142,723)	(413,613)	(448,389)	(34,776)
TOTAL OTHER FINANCING SOURCES (USES)	<u>314,811</u>	<u>134,490</u>	<u>(10,453)</u>	<u>(144,943)</u>
NET CHANGE IN FUND BALANCES	<u>445,503</u>	<u>(146,532)</u>	<u>412,204</u>	<u>558,736</u>
FUND BALANCE - BEGINNING	<u>3,570,529</u>	<u>3,570,529</u>	<u>3,570,529</u>	<u>--</u>
Prior Period Adjustment	--	--	(536,605)	(536,605)
FUND BALANCE - ENDING	<u>\$ 4,016,032</u>	<u>\$ 3,423,997</u>	<u>\$ 3,446,128</u>	<u>\$ 22,131</u>

The accompanying notes are an integral part of this statement.

CITY OF GILMER, TEXAS

EXHIBIT A-8

ECONOMIC DEVELOPMENT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales tax	\$ 750,642	\$ 750,642	\$ 911,989	\$ 161,347
Investment income	4,000	4,000	17,939	13,939
TOTAL REVENUES	<u>754,642</u>	<u>754,642</u>	<u>929,928</u>	<u>175,286</u>
EXPENDITURES:				
Current:				
Principal on long-term debt	120,000	120,000	120,000	--
Interest on long-term debt	32,400	32,400	32,400	--
Debt service fees	1,000	1,000	3,797	(2,797)
TOTAL EXPENDITURES	<u>153,400</u>	<u>153,400</u>	<u>156,197</u>	<u>(2,797)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>601,242</u>	<u>601,242</u>	<u>773,731</u>	<u>172,489</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(512,196)	(512,196)	(136,798)	375,398
TOTAL OTHER FINANCING SOURCES (USES)	<u>(512,196)</u>	<u>(512,196)</u>	<u>(136,798)</u>	<u>375,398</u>
NET CHANGE IN FUND BALANCES	89,046	89,046	636,933	547,887
FUND BALANCE - BEGINNING	675,608	675,608	675,608	--
Prior Period Adjustment	--	--	536,605	536,605
FUND BALANCE - ENDING	<u>\$ 764,654</u>	<u>\$ 764,654</u>	<u>\$ 1,849,146</u>	<u>\$ 1,084,492</u>

The accompanying notes are an integral part of this statement.

CITY OF GILMER, TEXAS

STATEMENT OF NET POSITION

ENTERPRISE FUNDS

SEPTEMBER 30, 2023

	Water & Sewer Fund	Sanitation Fund	Gilmer Airport Fund	Total Enterprise Funds
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 3,064,210	\$ 541,100	\$ 232,014	\$ 3,837,324
Restricted cash	155,919	--	250	156,169
Investments	944,171	--	--	944,171
Receivables (net of allowances for uncollectibles)	389,005	191,764	--	580,769
Other receivables	--	--	40,367	40,367
Total current assets	<u>4,553,305</u>	<u>732,864</u>	<u>272,631</u>	<u>5,558,800</u>
Noncurrent assets:				
Capital assets not subject to depreciation	4,338,168	230,484	916,487	5,485,139
Capital assets, net of accumulated depreciation	10,308,281	--	1,857,156	12,165,437
Total noncurrent assets	<u>14,646,449</u>	<u>230,484</u>	<u>2,773,643</u>	<u>17,650,576</u>
TOTAL ASSETS	<u>19,199,754</u>	<u>963,348</u>	<u>3,046,274</u>	<u>23,209,376</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows related to pensions	273,336	--	--	273,336
Deferred outflows related to OPEB	804	--	--	804
Loss on defeasance of debt	195,002	--	--	195,002
TOTAL OUTFLOWS OF RESOURCES	<u>469,142</u>	<u>--</u>	<u>--</u>	<u>469,142</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 8,419	\$ 89,084	\$ --	\$ 97,503
Wages payable	24,248	--	--	24,248
Accrual for compensated absences	15,628	--	--	15,628
Accrued interest payable	41,584	--	--	41,584
Unearned revenue	1,200	--	--	1,200
Due to other funds	259,107	48,544	--	307,651
Bonds, notes, and loans payable	714,445	--	--	714,445
Payable from restricted assets:				
Customer deposits	155,919	--	250	156,169
Total current liabilities	<u>1,220,550</u>	<u>137,628</u>	<u>250</u>	<u>1,358,428</u>
Noncurrent liabilities:				
Bonds, notes, and loans payable	4,445,444	--	--	4,445,444
Net OPEB liability	36,535	--	--	36,535
Net pension liability	518,957	--	--	518,957
Total noncurrent liabilities	<u>5,000,936</u>	<u>--</u>	<u>--</u>	<u>5,000,936</u>
TOTAL LIABILITIES	<u>6,221,487</u>	<u>137,628</u>	<u>250</u>	<u>6,359,365</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows related to OPEB	11,171	--	--	11,171
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>11,171</u>	<u>--</u>	<u>--</u>	<u>11,171</u>
NET POSITION:				
Net investment in capital assets	9,681,563	230,484	2,773,643	12,685,690
Restricted for debt service	90,562	--	--	90,562
Unrestricted	3,664,114	595,236	272,381	4,531,731
TOTAL NET POSITION	<u>\$ 13,436,239</u>	<u>\$ 825,720</u>	<u>\$ 3,046,024</u>	<u>\$ 17,307,983</u>

The accompanying notes are an integral part of this statement.

CITY OF GILMER, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Water & Sewer Fund	Sanitation Fund	Gilmer Airport Fund	Total Enterprise Funds
OPERATING REVENUES:				
Charges for water services	\$ 1,450,756	\$ --	\$ --	\$ 1,450,756
Charges for sewer services	794,158	--	--	794,158
Charges for sanitation services	--	1,016,297	--	1,016,297
Penalties	32,834	14,002	--	46,836
Rents and royalties	--	--	79,216	79,216
Licenses and permits	5,661	--	--	5,661
Other revenue	11,195	349	--	11,544
Total Operating Revenues	<u>2,294,604</u>	<u>1,030,648</u>	<u>79,216</u>	<u>3,404,468</u>
OPERATING EXPENSES:				
Salaries and employee benefits	898,112	--	--	898,112
Contractual services	114,179	995,773	9,851	1,119,803
Utilities	211,821	--	11,102	222,923
Repairs and maintenance	325,779	--	20,074	345,853
Supplies and other expenses	91,670	--	3,827	95,497
Insurance	16,275	--	9,887	26,162
Depreciation	474,979	--	202,790	677,769
Total Operating Expenses	<u>2,132,815</u>	<u>995,773</u>	<u>257,531</u>	<u>3,386,119</u>
Operating Income (Loss)	<u>161,789</u>	<u>34,875</u>	<u>(178,315)</u>	<u>18,349</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest and investment revenue	15,175	--	--	15,175
Operating grants	--	--	31,837	31,837
Gain (loss) on disposition of assets	(12,026)	--	--	(12,026)
Interest expense	(148,557)	--	--	(148,557)
Debt issuance costs and fees	(500)	--	--	(500)
Total Non-operating Revenues (Expenses)	<u>(145,908)</u>	<u>--</u>	<u>31,837</u>	<u>(114,071)</u>
Income (Loss) before Transfers and Capital Contributions	15,881	34,875	(146,478)	(95,722)
Transfers in	642,174	--	--	642,174
Transfers out	(560,245)	--	--	(560,245)
Capital contributions	508,000	--	--	508,000
Change in Net Position	605,810	34,875	(146,478)	494,207
Total Net Position - Beginning	12,830,429	790,845	3,192,502	16,813,776
Total Net Position - Ending	<u>\$ 13,436,239</u>	<u>\$ 825,720</u>	<u>\$ 3,046,024</u>	<u>\$ 17,307,983</u>

The accompanying notes are an integral part of this statement.

CITY OF GILMER, TEXAS

STATEMENT OF CASH FLOWS

ENTERPRISE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Water & Sewer Fund	Sanitation Fund	Gilmer Airport Fund	Totals
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 2,249,565	\$ 1,010,430	\$ 52,289	\$ 3,312,284
Cash Payments to Employees for Services	(844,695)	--	--	(844,695)
Cash Payments to Other Suppliers for Goods and Services	(788,111)	(976,750)	(64,274)	(1,829,135)
Net Cash Provided (Used) by Operating Activities	<u>616,759</u>	<u>33,680</u>	<u>(11,985)</u>	<u>638,454</u>
Cash Flows from Non-capital Financing Activities:				
Operating Grants Received	--	--	31,837	31,837
Transfers From Other Funds	642,174	--	--	642,174
Transfers To Other Funds	(475,001)	--	--	(475,001)
Net Cash Provided by Non-capital Financing Activities	<u>167,173</u>	<u>--</u>	<u>31,837</u>	<u>199,010</u>
Cash Flows from Capital and Related Financing Activities:				
Principal and Interest Paid	(630,743)	--	--	(630,743)
Debt Fees	(500)	--	--	(500)
Aquisition or Construction of Capital Assets	(333,346)	--	(37,954)	(371,300)
Net Cash Used for Capital & Related Financing Activities	<u>(964,589)</u>	<u>--</u>	<u>(37,954)</u>	<u>(1,002,543)</u>
Cash Flows from Investing Activities:				
Interest and Dividends on Investments	6,637	--	--	6,637
Net Cash Provided by Investing Activities	<u>6,637</u>	<u>--</u>	<u>--</u>	<u>6,637</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(174,020)	33,680	(18,102)	(158,442)
Cash and Cash Equivalents, October 1 (excluding \$147,451 for the water & sewer fund and \$250 for the airport fund reported as restricted amounts)	<u>3,238,230</u>	<u>507,420</u>	<u>250,116</u>	<u>3,995,766</u>
Cash and Cash Equivalents, September 30 (excluding \$155,919 for the water & sewer fund and \$250 for the airport fund reported as restricted amounts)	<u>\$ 3,064,210</u>	<u>\$ 541,100</u>	<u>\$ 232,014</u>	<u>\$ 3,837,324</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 161,789	\$ 34,875	\$ (178,315)	\$ 18,349
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	474,979	--	202,790	677,769
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	(45,038)	(34,539)	(26,927)	(106,504)
Decrease (Increase) in Prepaid Expenses	--	--	(8,530)	(8,530)
Increase (Decrease) in Accounts Payable	(28,388)	19,023	(1,003)	(10,368)
Increase (Decrease) in Due to Other Funds	--	14,321	--	14,321
Increase (Decrease) in Accrued Wages Payable	15	--	--	15
Increase (Decrease) in Pension and OPEB Liabilities	53,402	--	--	53,402
Total Adjustments	<u>454,970</u>	<u>(1,195)</u>	<u>166,330</u>	<u>620,105</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 616,759</u>	<u>\$ 33,680</u>	<u>\$ (11,985)</u>	<u>\$ 638,454</u>
Schedule of Non-Cash Capital and Related Financing Activities				
Repayment of principal by other fund	\$ 157,303	\$ --	\$ --	\$ 157,303
Repayment of interest by other fund	16,561	--	--	16,561
Contribution of infrastructure by developer	508,000	--	--	508,000

The accompanying notes are an integral part of this statement.

CITY OF GILMER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities.

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

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

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

The City reports the following major governmental funds:

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

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

The Debt Service Fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Parks Capital Projects Fund accounts for the certificate of obligation proceeds that are to be used for various park projects throughout the City.

The City reports the following major proprietary funds:

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

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

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

b. Measurement Focus, Basis of Accounting

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

CITY OF GILMER, TEXAS
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Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes and sales taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under leases and subscription-based information technology arrangements are reported as other financing sources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

The City may assess penalties and interest. The assessment ratio of the City is 100% of market value. The assessed value for the tax roll of October 1, 2022, upon which the 2023 fiscal-year levy was based, was \$387,206,784. The tax assessment of October 1, 2022 sets a tax levy at \$.570794 per \$100 of assessed valuation at 100% of assumed market value. The 2023 fiscal-year levy was \$2,210,153.

Taxes were due in January following the October 1 statement date. Tax collections during the fiscal year ended September 30, 2023, for the fiscal 2022 tax levy were 97.30% of the total tax levy for that year.

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The allowance for uncollectible taxes at September 30, 2023, is \$185,937.

c. Prepaid Items

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

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d. Capital Assets

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

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

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

e. Receivable and Payable Balances

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

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

f. Pensions

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

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

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g. Other Post-Employment Benefits (OPEB)

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

h. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and enterprise fund Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expenses/expenditures) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

i. Compensated Absences

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

j. Interfund Activity

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

k. Estimates

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

l. Restricted Assets

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

CITY OF GILMER, TEXAS
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m. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

It is the goal of the City to achieve and maintain an unassigned fund balance in the general fund equivalent to not less than 2 months of annual operating expenditures. The City's fund balance for the general fund met this goal at September 30, 2023.

It is the goal of the City to achieve and maintain an unassigned fund balance (reserve) in the water and sewer fund equivalent to no less than \$500,000. The City's fund balance in the fund met this goal at September 30, 2023.

n. Net Position Flow Assumption

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

o. Fund Balance Flow Assumption

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

CITY OF GILMER, TEXAS
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using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. Budgetary Data

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

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, Economic Development Fund, Civic Center Fund, and debt service fund. The capital projects funds is appropriated on a project-length basis. Other special revenue fund do not have appropriated budgets since other means control the use of these resources and sometimes span a period of time more than one fiscal year

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

5. Implementation of New Standards

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Management did not identify any SBITAs for the year ended September 30, 2023.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
The EDC funded debt service payments for the City's 2021 Combination Tax & Revenue Certificates of Obligation. These payments were not an allowable use of funds for a Type A economic development corporation.	Upon discovery of this condition, City management made arrangements to reimburse the Economic Development Corporation in full from other legal funding sources for all prior debt service payments applied to the City's 2021 Combination Tax & Revenue Certificates of Obligation. Those reimbursements due to the EDC as of September 30, 2023, are reported in the accompanying financial statements.

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

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

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Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

Cash Deposits:

At September 30, 2023, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) \$16,468,306 and the bank balance was \$16,583,634. The City's cash deposits at September 30, 2023 and during the year ended September 30, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

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

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

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

The City's investments at September 30, 2023 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificate of Deposit #44413	7/16/2024	\$ 101,371
Certificate of Deposit #44412	7/16/2024	549,367
Certificate of Deposit #42535	12/16/2024	233,536
Certificate of Deposit #42780	6/20/2024	280,686
Certificate of Deposit #22185	2/20/2025	275,487
Certificate of Deposit #42463	9/30/2024	387,998
Certificate of Deposit #1000	5/17/2024	250,000
Certificate of Deposit #23075	8/9/2026	217,014
Certificate of Deposit #1001	5/18/2024	12,534
Local Government Investment Pool (LOGIC)	46 - 67 days	140
Total Investments		<u>\$ 2,308,133</u>

Analysis of Specific Deposit and Investment Risks:

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

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a. Credit Risk

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

At September 30, 2023, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

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

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recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

Local Government Investment Cooperative (LOGIC)

LOGIC was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, and operates as a public funds investment pool under the Public Funds Investment Act. LOGIC is organized and existing as a business trust under the laws of the State of Texas with participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the participants. The Board of Trustees is LOGIC's governing body and is comprised of employees, officers, or elected officials of participant government entities or individuals who do not have a business relationship with the Pool and are qualified to advise it. A maximum of two advisory board members represent the co-administrators of the Pool.

The investment objectives of the LOGIC portfolio are to seek preservation of principal, liquidity, and current income through current investment in a diversified portfolio of short-term marketable securities. This Portfolio's maximum final stated maturity is 397 days for fixed rate securities and 24 months for variable rate notes. The Portfolio will maintain a dollar-weighted average portfolio maturity that does not exceed 60 days (or fewer if required to maintain its rating). The Portfolio seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time.

D. Capital Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,727,028	\$ --	\$ --	\$ 1,727,028
Construction in progress	64,800	444,066	317,666	191,200
Total capital assets not being depreciated	<u>1,791,828</u>	<u>444,066</u>	<u>317,666</u>	<u>1,918,228</u>
Capital assets being depreciated:				
Infrastructure	11,262,706	934,524	--	12,197,230
Buildings and improvements	5,203,574	8,250	--	5,211,824
Machinery, furniture and equipment	3,056,582	79,719	7,259	3,129,042
Total capital assets being depreciated	<u>19,522,862</u>	<u>1,022,493</u>	<u>7,259</u>	<u>20,538,096</u>
Less accumulated depreciation for:				
Infrastructure	(6,842,391)	(498,736)	--	(7,341,127)
Buildings and improvements	(2,285,498)	(73,518)	--	(2,359,016)
Machinery, furniture and equipment	(2,047,412)	(292,640)	(7,259)	(2,332,793)
Total accumulated depreciation	<u>(11,175,301)</u>	<u>(864,894)</u>	<u>(7,259)</u>	<u>(12,032,936)</u>
Total capital assets being depreciated, net	8,347,561	157,599	--	8,505,160
Governmental activities capital assets, net	<u>\$ 10,139,389</u>	<u>\$ 601,665</u>	<u>\$ 317,666</u>	<u>\$ 10,423,388</u>

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	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 5,413,638	\$ --	\$ --	\$ 5,413,638
Construction in progress	7,500	64,001	--	71,501
Total capital assets not being depreciated	<u>5,421,138</u>	<u>64,001</u>	<u>--</u>	<u>5,485,139</u>
Capital assets being depreciated:				
Land improvements	5,815,517	16,250	--	5,831,767
Infrastructure*	15,588,021	762,501	83,344	16,267,178
Buildings and improvements	944,942	--	--	944,942
Machinery, furniture and equipment*	1,137,721	36,549	5,939	1,168,331
Total capital assets being depreciated	<u>23,486,201</u>	<u>815,300</u>	<u>89,283</u>	<u>24,212,218</u>
Less accumulated depreciation for:				
Land improvements	(2,036,911)	(210,934)	--	(2,247,845)
Infrastructure*	(8,262,167)	(381,651)	(71,318)	(8,572,500)
Buildings and improvements	(326,642)	(16,121)	--	(342,763)
Machinery, furniture and equipment*	(820,548)	(69,063)	(5,938)	(883,673)
Total accumulated depreciation	<u>(11,446,268)</u>	<u>(677,769)</u>	<u>(77,256)</u>	<u>(12,046,781)</u>
Total capital assets being depreciated, net	<u>12,039,933</u>	<u>137,531</u>	<u>12,027</u>	<u>12,165,437</u>
Business-type activities capital assets, net	<u>\$ 17,461,071</u>	<u>\$ 201,532</u>	<u>\$ 12,027</u>	<u>\$ 17,650,576</u>

*Beginning balances have been adjusted to reflect reclassifications between asset and depreciation categories.

Depreciation was charged to functions as follows:

<u>Governmental Activities:</u>	
Civic center	\$ 122,764
Community development	7,037
Economic development	287,427
Executive	24,190
Fire	91,865
Police	63,779
Streets	262,459
Financial administration	1,013
Lake	4,360
	<u>\$ 864,894</u>

<u>Business-Type Activities:</u>	
Water and sewer	474,979
Airport	202,790
	<u>\$ 677,769</u>

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2023, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
Economic Development Fund	General Fund	\$ 69,704	Sales tax accrual
General Fund	Economic Development Fund	10,456	Monthly sales tax transfer

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Economic Development Fund	General Fund	573,497	Reimbursement of park debt service
Economic Development Fund	Water & Sewer Fund	259,108	Reimbursement of park debt service
Other Governmental Funds	General Fund	3,388	Hotel tax transfer receivable
General Fund	Sanitation Fund	48,544	Commercial sanitation fees accrued
	Total	<u>\$ 964,697</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds for the year ended September 30, 2023, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Debt Service	Water & Sewer Fund	\$ 387,674	Fund debt service requirements
Economic Development Fund	General Fund	136,798	Administrative fee
General Fund	Debt Service Fund	36,892	Fund debt service requirements
Water & Sewer Fund	Debt Service Fund	259,108	Fund debt service requirements
General Fund	Other Governmental Funds	156,996	Fund Civic Center operations
Water & Sewer Fund	General Fund	77,338	Bond savings
General Fund	Water & Sewer Fund	254,500	Fund water/sewer projects
Water & Sewer Fund	General Fund	223,799	Budgeted transfer
	Total	<u>\$ 1,533,105</u>	

F. Long-Term Obligations

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2023, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
<u>Obligations of the City:</u>					
Tax and revenue certificates of obligation	\$ 6,596,531	\$ --	\$ 392,695	\$ 6,203,836	402,781
Notes	30,573	--	5,725	24,848	5,913
Net pension liability*	418,690	1,419,475	--	1,838,165	--
Total OPEB liability*	188,043	--	61,513	126,530	--
Premium on issuance of debt	649,284	--	37,085	612,199	37,085
Compensated absences	126,109	28,197	--	154,306	--
Total obligations of the City	<u>8,009,230</u>	<u>1,447,672</u>	<u>497,018</u>	<u>8,959,884</u>	<u>445,779</u>

CITY OF GILMER, TEXAS
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Obligations of Economic Development Corp:

Sales tax revenue bonds	1,500,000	--	120,000	1,380,000	125,000
Total obligations of EDC	1,500,000	--	120,000	1,380,000	125,000
Total governmental activities	\$ 9,509,230	\$ 1,447,672	\$ 617,018	\$ 10,339,884	\$ 570,779

Business-type activities:

Refunding bonds	\$ 4,660,000	\$ --	\$ 490,000	\$ 4,170,000	510,000
Tax and revenue certificates of obligation	818,469	--	157,304	661,165	162,219
Net pension liability**	112,216	406,741	--	518,957	--
Total OPEB liability**	51,723	--	15,188	36,535	--
Premium on issuance of debt	370,950	--	42,226	328,724	42,226
Total business-type activities	\$ 6,013,358	\$ 406,741	\$ 704,718	\$ 5,715,381	\$ 714,445

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Net Pension Liability*	Governmental	General
Total OPEB Liability*	Governmental	General
Net Pension Liability**	Business	Water and Sewer
Total OPEB Liability**	Business	Water and Sewer

The General Fund typically liquidates 100% of the Governmental Activities liability for compensated absences.

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2023, are as follows:

Year Ending September 30,	Governmental Activities				
	Bonds		Notes from Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2024	\$ 527,781	\$ 205,790	\$ 5,913	\$ 720	\$ 740,204
2025	545,324	192,684	6,108	525	744,641
2026	557,866	179,120	6,310	323	743,619
2027	567,865	165,073	6,517	115	739,570
2028	400,000	150,468	--	--	550,468
2029-2033	2,175,000	582,846	--	--	2,757,846
2034-2038	1,675,000	304,500	--	--	1,979,500
2039-2041	1,135,000	57,150	--	--	1,192,150
Totals	\$ 7,583,836	\$ 1,837,631	\$ 24,848	\$ 1,683	\$ 9,447,998

Year Ending September 30,	Business-type Activities				
	Bonds		Notes from Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2024	\$ 672,219	\$ 137,908	\$ --	\$ --	\$ 810,127
2025	694,677	117,714	--	--	812,391
2026	717,134	96,820	--	--	813,954
2027	737,135	75,011	--	--	812,146
2028	255,000	54,150	--	--	309,150
2029-2033	1,445,000	148,200	--	--	1,593,200
2034	310,000	6,200	--	--	316,200
Totals	\$ 4,831,165	\$ 636,003	\$ --	\$ --	\$ 5,467,168

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The following is a list of General Obligation Bonds, Revenue Bonds and Notes Payable at September 30, 2023:

Governmental Activities:

Certificates of Obligation

2015 Combination Tax and Revenue Certificates of Obligation; principal plus interest varying from 2.0% to 3.0% due semi-annually through August 26, 2027. \$ 683,836

2021 Combination Tax and Revenue Certificates of Obligation; principal plus interest varying from 2.0% to 3.0% due semi-annually through August 15, 2041. 5,520,000
 Total Certificates of Obligation 6,203,836

Notes Payable

Note payable to Gilmer National Bank; principal plus interest at 3.25%, due monthly through September 5, 2027. 24,848

Sales Tax and Revenue Refunding Bonds

(an obligation of Gilmer Economic Development Corporation, a blended component unit of the City of Gilmer)

2021 Sales Tax and Revenue Refunding Bonds; principal plus interest at 2.16% due semi-annually through July 15, 2033. 1,380,000

Total Governmental Activities \$ 7,608,684

Business-Type Activities:

Refunding Bonds

2020 Waterworks and Sewer System Refunding Bonds; principal plus interest varying from 2.0% to 4.00% due semi-annually through July 1, 2034. \$ 2,705,000

2013 General Obligation Refunding Bonds Series 2013; principal plus interest varying from 2.0% to 3.0% due semi-annually through May 15, 2027. 1,465,000
 Total Refunding Bonds 4,170,000

Tax and Revenue Certificates of Obligation

2015 Combination Tax and Revenue Certificates of Obligation; principal plus interest varying from 2.0% to 3.0% due semi-annually through August 15, 2027. 661,165
 Total Certificates of Obligation 661,165

Total Business-Type Activities \$ 4,831,165

G. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2023, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

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H. Pension Plan

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

1. Plan Description

The City participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

2. Benefits Provided

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

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

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

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

Employees covered by benefit terms:

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	49
Inactive employees entitled to but not yet receiving benefits	35
Active employees	51
Total covered employees	<u>135</u>

3. Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual

CITY OF GILMER, TEXAS
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experience over time.

Employees for the City were required to contribute 6.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.77% and 13.21% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were \$332,816, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year; adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees, and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. The assumptions were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

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Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Mkts	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
Total	100.00%	

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 member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive 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.

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2021	\$ 11,823,390	\$ 11,303,199	\$ 520,191
Changes for the year			
Service cost	344,149	--	344,149
Interest	788,715	--	788,715
Change of benefit terms	--	--	--
Difference between expected and actual experience	282,190	--	282,190
Changes of assumptions	--	--	--
Contributions - employer	--	301,537	(301,537)
Contributions - employee	--	140,949	(140,949)
Net investment income	--	(825,123)	825,123
Benefit payments, including refunds of employee contributions	(621,594)	(621,594)	--
Administrative expense	--	(7,140)	7,140
Other changes	--	8,520	(8,520)
Net changes	793,460	(1,002,851)	1,796,311
Balance at 12/31/2022	\$ 12,616,850	\$ 10,300,348	\$ 2,316,502

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 Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 4,076,646	\$ 2,316,502	\$ 885,795

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Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

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

For the year ended September 30, 2023, the City recognized pension expense of \$509,170.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 266,637	\$ --
Difference between projected and actual investment earnings	716,362	--
Contributions subsequent to the measurement date	237,115	--
Total	<u>\$ 1,220,114</u>	<u>\$ --</u>

\$237,115 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec. 31,	
2023	\$ 131,218
2024	297,913
2025	236,251
2026	317,617
2027	--
Thereafter	--

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)

1. Plan Description

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

Of the nine member State Board of Trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. On August 31 of the following years, contributing fire and/or emergency services member departments participating in TESRS were:

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	<u>Contributing Departments</u>
2021	239
2022	239

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

2. Benefits Provided

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

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

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

3. Covered Membership

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

	<u>2021</u>	<u>2022</u>
Retirees and beneficiaries currently receiving benefits	3,843	3,991
Terminated members entitled to but not yet receiving benefits	1,706	1,813
Active participants	3,571	3,379

4. Funding Policy

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

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

The board rule defining contributions was amended in 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contributions arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the August 31, 2022 actuarial valuation, the Part Two contributions are not

CITY OF GILMER, TEXAS
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required for an adequate contribution arrangement.

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

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

5. Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ended August 31, 2022, total contributions of \$4,049,093 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The State appropriated \$1,262,763 for the fiscal year ended August 31, 2022.

The purpose of the biennial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed in Section 6.

The most recently completed biennial actuarial valuation as of August 31, 2022 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 \$675,000 each year to pay for part of the System's administrative expenses.

6. Net Pension Liability

The System's net pension liability was measured as of August 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2022.

Total pension liability	\$ 165,375,669
Plan fiduciary net position	124,345,593
System's net pension liability	<u>\$ 41,030,076</u>

Plan fiduciary net position as a percentage of the total pension liability	75.20%
--	--------

Actuarial Assumptions

The total pension liability in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

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Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and retirees, projected for mortality improvement generationally using projection scale MP-2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.61%) and by adding expected inflation (3.00%). In addition, the final 7.50% assumption was selected by rounding down. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Net)</u>
Equities		
Large cap domestic	20.00%	5.83%
Small/mid cap domestic	10.00%	5.94%
Real estate	15.00%	6.17%
Multi asset income	5.00%	7.36%
Global infrastructure	5.00%	6.61%
Real estate	10.00%	4.48%
Multi asset income	5.00%	3.86%
Fixed income	30.00%	1.95%
Cash	--	--
Total	100.00%	
Weighted average		4.61%

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. No projection of cash flows was used to determine the discount rate because the August 31, 2022 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the level dollar amortization method. Because of the 30-year amortization period with the amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.5%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 63,721	\$ 40,620	\$ 21,912
System's net pension liability	64,365,050	41,030,076	22,133,739

Pension Plan Fiduciary Net Position

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

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

At September 30, 2023, the City reported a liability of \$40,620 for its proportionate share of the TESRS's net pension liability.

The net pension liability was measured as of August 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions to the pension plan relative to the contributions of all participating departments to the plan for the period September 1, 2021 through August 31, 2022.

For the year ended September 30, 2023, the City recognized pension expense of \$8,583.

At September 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,545	\$ --
Changes in actuarial assumptions	--	204
Difference between projected and actual investment earnings	14,980	--
Contributions subsequent to the measurement date	5,200	--
Total	<u>\$ 21,725</u>	<u>\$ 204</u>

\$5,200 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement	
Year Ending August 31:	
2024	\$ 4,709
2025	2,924
2026	3,052
2027	5,636

AGGREGATION OF PENSION RELATED BALANCES

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

	<u>TMRS</u>	<u>TESRS</u>	<u>Total</u>
Deferred outflow of resources related to pensions	\$ 1,220,114	\$ 21,725	\$ 1,241,839
Net pension liability	2,316,502	40,620	2,357,122
Deferred inflows of resources related to pensions	--	204	204
Pension expense/expenditures	509,170	8,583	513,923

I. Other Post-Employment Benefits

1. Plan Description

The City participates in the Texas Municipal Retirement System (TMRS) defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which

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 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

2. Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500.

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	7
Active employees	51
Total covered employees	89

3. Contributions

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

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

The retiree portion of contribution rates to the SDBF for the City were 0.18% and 0.20% in calendar years 2022 and 2023, respectively. The City's contributions to the SDBF for the year ended September 30, 2023 were \$4,939 and were equal to the required contributions.

4. Total OPEB Liability

The City's OPEB liability was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary increases	3.50% to 10.50% including inflation
Discount rate*	4.05%
Retiree's share of benefit-related costs	\$0

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

Administrative expenses All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality rates - service retirees 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality rates - disabled retirees 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.50% and 3.00% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

5. Changes in the Total OPEB Liability

Balance at December 31, 2021	\$	239,766
Changes for the year		
Service cost		10,571
Interest on total OPEB liability		4,470
Difference between expected and actual experience		(10,185)
Changes of assumptions		(77,329)
Benefit payments, including refunds of employee contributions		(4,228)
Net changes		<u>(76,701)</u>
Balance at December 31, 2022	\$	<u>163,065</u>

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

The following shows the total OPEB liability calculated using the discount rate of 4.05% percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.05%) or 1 percentage point higher (5.05%) than the current rate:

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Decrease in Discount rate (5.05%)
Total OPEB liability	\$ 193,036	\$ 163,065	\$ 139,259

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

7. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended September 30, 2023, the City recognized OPEB expense of \$(186). At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ --	\$ 11,068
Changes in actuarial assumptions	--	38,797
Contributions made subsequent to measurement date	3,590	--
Total	\$ 3,590	\$ 49,865

The \$3,590 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources to OPEB will be recognized in OPEB expense as follows:

Fiscal year ended September 30,	
2024	\$ (9,720)
2025	(8,551)
2026	(12,037)
2027	(15,715)
2028	(3,842)
	\$ (49,865)

J. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the City at September 30, 2023.

3. Commitments

The City has a contractual commitment with Red River Recreation, LLC for improvements at the Abney Street Park. The total contract amount is \$912,347. The City has paid the first scheduled payment of \$228,087. This amount is being held as a prepaid expense as work had not begun as of September 30, 2023. The remaining commitment at September 30, 2023 was \$684,260.

The City's Parks Capital Projects Fund reported a fund balance of \$6,573,050 at September 30, 2023.

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

K. Restricted Fund Balance and Net Position

As of September 30, 2023, fund balances restricted for other purposes were as follows:

General Fund		
Hotel-Motel tax	\$	50,611
Court restricted funds		36,256
LEOSE		4,095
Parks		101,371
	\$	<u>192,333</u>
Economic Development Fund	\$	<u>1,849,146</u>
Other Governmental Funds		
Police Dept. Seizure Fund	\$	18,770
Civic Center		1,705
USDA Loan Program		127,679
	\$	<u>148,154</u>

As of September 30, 2023, fund balance assigned for specific purposes was as follows:

General Fund		
Planning and zoning master plan	\$	25,102
Main Street		28,970
Fire department		52,456
Police department		35,892
Park projects		3,402
Cemetery		3,242
Civic Center		552
Chamber Christmas decorations		473
	\$	<u>155,861</u>

As of September 30, 2023, net position restricted for other purposes was as follows:

Governmental Activities		
Hotel-Motel tax	\$	50,611
Court restricted funds		36,256
Economic Development		1,849,146
LEOSE		4,095
Parks		101,371
Police Dept. Seizure Fund		18,770
Civic Center		1,705
USDA Loan Program		127,679
	\$	<u>2,189,633</u>

CITY OF GILMER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

L. Restatement of Fund Balance

During fiscal year 2023, management discovered that the City had transferred funds during the two prior fiscal years from the Economic Development Fund to the Debt Service Fund in error for the purpose of paying principal and interest on the 2021 Certificates of Obligation. These CO's were issued with the intent to fund various park improvement projects, which is not an allowable use of funds for a Type A Economic Development Corporation. City management, with approval of City Council, has made arrangements for the City's General Fund to reimburse the Economic Development Fund for the amounts transferred to the Debt Service Fund in error. The reimbursement is anticipated to occur within FY2024 when certain invested funds in the General Fund reach maturity and can be accessed without penalty. A prior period adjustment has been recorded in the General Fund and the Economic Development Fund to reflect the amount of reimbursements that is due between the funds. A summary of the adjustment to each fund is as follows:

	General Fund	Economic Development Fund
	<u> </u>	<u> </u>
Fund balance, September 30, 2022	\$ 3,570,529	\$ 675,608
Record due to/from for transfers made during FY21 and FY22	(536,605)	536,605
Restated fund balance as of September 30, 2022	<u>\$ 3,033,924</u>	<u>\$ 1,212,213</u>

M. Subsequent Events

Management has evaluated subsequent events through May 7, 2024, the dated on which the financial statements were available to be issued.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF GILMER, TEXAS

EXHIBIT A-12

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

	Measurement Period									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
City's proportion of the net pension liability (asset)	0.099%	0.100%	0.161%	0.159%	0.133%	0.120%	0.104%	0.120%	0.099%	
City's proportionate share of the net pension liability (asset)	\$ 40,620	\$ 10,714	\$ 40,589	\$ 45,069	\$ 28,795	\$ 28,802	\$ 30,293	\$ 32,031	\$ 17,990	
State's proportionate share of the net pension liability (asset) associated with the City	14,241	13,928	56,724	64,076	39,857	43,203	46,299	49,024	27,172	
Total	<u>\$ 54,861</u>	<u>\$ 24,642</u>	<u>\$ 97,313</u>	<u>\$ 109,145</u>	<u>\$ 68,652</u>	<u>\$ 72,005</u>	<u>\$ 76,592</u>	<u>\$ 81,055</u>	<u>\$ 45,162</u>	
City's covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	75.20%	93.10%	83.20%	80.20%	84.30%	81.40%	76.30%	76.90%	83.50%	

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

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

EXHIBIT A-13

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Contractually required contribution	\$ 5,200	\$ 4,800	\$ 7,360	\$ 5,602	\$ 8,335	\$ 7,585	\$ 7,244	\$ 6,572	\$ 8,408	
Contributions in relation to the contractually required contribution	(5,200)	(4,800)	(7,360)	(5,602)	(8,335)	(7,585)	(7,244)	(6,572)	(8,408)	
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
City's covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

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

	Measurement Period									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Total pension liability:										
Service cost	\$ 344,149	\$ 331,963	\$ 319,480	\$ 322,212	\$ 314,796	\$ 311,374	\$ 312,601	\$ 279,905	\$ 251,495	
Interest	788,715	737,002	715,144	682,742	657,972	614,768	572,622	556,162	536,347	
Changes of benefit terms	--	--	--	--	--	--	--	--	--	
Differences between expected and actual experience	282,190	247,836	(208,736)	(79,307)	(202,214)	58,777	52,439	(18,474)	(159,024)	
Changes of assumptions	--	--	--	46,124	--	--	--	26,163	--	
Benefit payments, including refunds of employee contributions	(621,594)	(491,946)	(524,684)	(456,067)	(358,522)	(334,623)	(290,697)	(353,280)	(366,623)	
Net change in total pension liability	793,460	824,855	301,204	515,704	412,032	650,296	646,965	490,476	262,195	
Total pension liability - beginning	11,823,390	10,998,535	10,697,331	10,181,627	9,769,595	9,119,299	8,472,334	7,981,858	7,719,663	
Total pension liability - ending (a)	\$ 12,616,850	\$ 11,823,390	\$ 10,998,535	\$ 10,697,331	\$ 10,181,627	\$ 9,769,595	\$ 9,119,299	\$ 8,472,334	\$ 7,981,858	
Plan fiduciary net position:										
Contributions - employer	\$ 301,537	\$ 302,524	\$ 288,745	\$ 299,742	\$ 296,037	\$ 290,031	\$ 274,402	\$ 273,687	\$ 254,283	
Contributions - employee	140,949	135,495	129,870	131,694	129,368	128,049	127,332	120,303	116,111	
Net investment income	(825,123)	1,310,665	717,114	1,269,294	(251,574)	1,012,684	456,045	9,890	362,730	
Benefit payments, including refunds of employee contributions	(621,593)	(491,946)	(524,684)	(456,067)	(358,522)	(334,623)	(290,697)	(353,280)	(366,623)	
Administrative expense	(7,140)	(6,064)	(4,640)	(7,171)	(4,862)	(5,249)	(5,149)	(6,024)	(3,787)	
Other	8,520	41	(181)	(216)	(254)	(266)	(277)	(298)	(311)	
Net change in plan fiduciary net position	(1,002,850)	1,250,715	606,224	1,237,276	(189,807)	1,090,626	561,656	44,278	362,403	
Plan fiduciary net position - beginning	11,303,198	10,052,483	9,446,259	8,208,983	8,398,790	7,308,164	6,746,508	6,702,228	6,339,825	
Plan fiduciary net position - ending (b)	\$ 10,300,348	\$ 11,303,198	\$ 10,052,483	\$ 9,446,259	\$ 8,208,983	\$ 8,398,790	\$ 7,308,164	\$ 6,746,506	\$ 6,702,228	
City's net pension liability - ending (a) - (b)	\$ 2,316,502	\$ 520,192	\$ 946,052	\$ 1,251,072	\$ 1,972,644	\$ 1,370,805	\$ 1,811,135	\$ 1,725,828	\$ 1,279,630	
Plan fiduciary net position as a percentage of the total pension liability	81.64%	95.60%	91.40%	88.30%	80.63%	85.97%	80.14%	79.63%	83.97%	
Covered-employee payroll	\$ 2,349,142	\$ 2,258,254	\$ 2,164,495	\$ 2,194,903	\$ 2,156,138	\$ 2,134,157	\$ 2,122,206	\$ 2,005,048	\$ 1,935,190	
City's net pension liability as a percentage of covered-employee payroll	98.61%	23.04%	43.71%	57.00%	91.49%	64.23%	85.34%	86.07%	66.12%	

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

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

EXHIBIT A-15

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Actuarially determined contribution	\$ 332,816	\$ 295,582	\$ 290,463	\$ 300,042	\$ 304,415	\$ 299,244	\$ 290,855	\$ 282,331	\$ 270,366	
Contributions in relation to the actuarially determined contribution	(332,816)	(295,582)	(290,463)	(300,042)	(304,415)	(299,244)	(290,855)	(282,331)	(270,366)	
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	
Covered-employee payroll	\$ 2,544,389	\$ 2,224,327	\$ 2,130,159	\$ 2,199,804	\$ 2,190,102	\$ 2,151,563	\$ 2,197,347	\$ 2,104,321	\$ 2,002,551	
Contributions as a percentage of covered-employee payroll	13.08%	13.29%	13.64%	13.64%	13.90%	13.91%	13.24%	13.42%	13.50%	

Notes to Schedule

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed fair value; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study for the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

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

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

EXHIBIT A-16

	Fiscal Year					
	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 4,939	\$ 3,816	\$ 2,699	\$ 1,153	\$ 1,209	\$ 1,454
Contributions in relation to the actuarially determined contribution	(4,939)	(3,816)	(2,699)	(1,153)	(1,209)	(1,454)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Covered-employee payroll	\$ 2,544,389	\$ 2,224,327	\$ 2,130,159	\$ 2,199,804	\$ 2,190,102	\$ 2,151,563
Contributions as a percentage of covered-employee payroll	0.19%	0.17%	0.13%	0.05%	0.06%	0.07%

Notes to Schedule

The plan is funded on a pay-as-you-go basis and there are no assets being accumulated in trust to pay benefits.

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

CITY OF GILMER, TEXAS

EXHIBIT A-17

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

	Measurement Period					
	2022	2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	\$ 10,571	\$ 10,388	\$ 8,225	\$ 6,146	\$ 6,684	\$ 5,762
Interest	4,470	4,384	5,111	5,702	5,589	5,499
Changes of benefit terms	--	--	--	--	--	--
Differences between expected and actual experience	(10,185)	5,654	(5,655)	--	(15,327)	--
Changes of assumptions or other inputs	(77,334)	7,011	26,824	--	(10,733)	12,713
Benefit payments	(4,228)	(3,387)	(1,082)	--	(861)	(314)
Net change in total OPEB liability	(76,706)	24,050	33,423	11,848	(14,648)	23,660
Total OPEB liability - beginning	239,766	215,716	182,293	--	165,935	142,275
Total OPEB liability - ending	\$ 163,060	\$ 239,766	\$ 215,716	\$ 11,848	\$ 151,287	\$ 165,935
Covered-employee payroll	\$ 2,349,142	\$ 2,258,254	\$ 2,166,506	\$ 2,194,903	\$ 2,156,138	\$ 2,134,157
Total OPEB liability as a percentage of covered-employee payroll	6.94%	10.62%	9.96%	0.54%	7.02%	7.78%

Notes to Schedule:

The plan is funded on a pay-as-you-go basis and there are no assets being accumulated in trust to pay benefits.

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

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

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CITY OF GILMER, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2023

	PD Seizure Fund	Civic Center Fund	USDA Revolving Loan	Total Nonmajor Special Revenue Funds (See Exhibit A-3)
ASSETS AND OTHER DEBITS:				
Cash	\$ 18,770	\$ 20,457	\$ 127,679	\$ 166,906
Receivables:				
Due from other funds	--	3,388	--	3,388
TOTAL ASSETS	<u>\$ 18,770</u>	<u>\$ 23,845</u>	<u>\$ 127,679</u>	<u>\$ 170,294</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	\$ --	\$ 3,728	\$ --	\$ 3,728
Other liabilities	--	15,740	--	15,740
Accrued wages	--	2,244	--	2,244
Accrual for compensated absences	--	428	--	428
TOTAL LIABILITIES	<u>--</u>	<u>22,140</u>	<u>--</u>	<u>22,140</u>
DEFERRED INFLOWS OF RESOURCES:				
FUND BALANCE:				
Restricted for other purposes	18,770	1,705	127,679	148,154
TOTAL FUND BALANCE	<u>18,770</u>	<u>1,705</u>	<u>127,679</u>	<u>148,154</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 18,770</u>	<u>\$ 23,845</u>	<u>\$ 127,679</u>	<u>\$ 170,294</u>

CITY OF GILMER, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	PD Seizure Fund	Civic Center Fund	USDA Revolving Loan	Total Nonmajor Special Revenue Funds (See Exhibit A-5)
REVENUES:				
Investment income	\$ 18	\$ --	\$ 1,270	\$ 1,288
Rents and royalties	--	40,595	--	40,595
Other revenue	--	10,216	--	10,216
TOTAL REVENUES	18	50,811	1,270	52,099
EXPENDITURES:				
Current:				
Civic center	--	197,617	--	197,617
Principal on long-term debt	--	5,725	--	5,725
Interest on long-term debt	--	909	--	909
TOTAL EXPENDITURES	--	204,251	--	204,251
Excess (Deficiency) of Revenues Over (Under) Expenditures	18	(153,440)	1,270	(152,152)
OTHER FINANCING SOURCES (USES):				
Transfers in	--	156,996	--	156,996
TOTAL OTHER FINANCING SOURCES (USES)	--	156,996	--	156,996
NET CHANGE IN FUND BALANCES	18	3,556	1,270	4,844
FUND BALANCE - BEGINNING	18,752	(1,851)	126,409	143,310
FUND BALANCE - ENDING	\$ 18,770	\$ 1,705	\$ 127,679	\$ 148,154

CITY OF GILMER, TEXAS

EXHIBIT B-3

CIVIC CENTER FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Rents and royalties	\$ 31,500	\$ 31,500	\$ 40,595	\$ 9,095
Other revenue	13,609	13,609	10,216	(3,393)
TOTAL REVENUES	<u>45,109</u>	<u>45,109</u>	<u>50,811</u>	<u>5,702</u>
EXPENDITURES:				
Current:				
Civic center	181,198	197,587	197,617	(30)
Principal on long-term debt	5,725	5,725	5,725	--
Interest on long-term debt	909	909	909	--
TOTAL EXPENDITURES	<u>187,832</u>	<u>204,221</u>	<u>204,251</u>	<u>(30)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(142,723)	(159,112)	(153,440)	5,672
OTHER FINANCING SOURCES (USES):				
Transfers in	142,723	159,112	156,996	(2,116)
TOTAL OTHER FINANCING SOURCES (USES)	<u>142,723</u>	<u>159,112</u>	<u>156,996</u>	<u>(2,116)</u>
NET CHANGE IN FUND BALANCES	--	--	3,556	3,556
FUND BALANCE - BEGINNING	(1,851)	(1,851)	(1,851)	--
FUND BALANCE - ENDING	<u>\$ (40,485)</u>	<u>\$ (5,851)</u>	<u>\$ 1,705</u>	<u>\$ 3,556</u>

CITY OF GILMER, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

EXHIBIT B-4

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 569,979	\$ 569,979	\$ 584,698	\$ 14,719
Investment income	253	253	406	153
TOTAL REVENUES	<u>570,232</u>	<u>570,232</u>	<u>585,104</u>	<u>14,872</u>
EXPENDITURES:				
Current:				
Principal on long-term debt	550,000	550,000	392,696	157,304
Interest on long-term debt	203,090	203,090	186,136	16,954
Debt service fees	3,000	3,000	3,500	(500)
TOTAL EXPENDITURES	<u>756,090</u>	<u>756,090</u>	<u>582,332</u>	<u>173,758</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(185,858)</u>	<u>(185,858)</u>	<u>2,772</u>	<u>188,630</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	574,858	574,858	296,000	(278,858)
Transfers out	(389,000)	(389,000)	(387,674)	1,326
TOTAL OTHER FINANCING SOURCES (USES)	<u>185,858</u>	<u>185,858</u>	<u>(91,674)</u>	<u>277,532</u>
NET CHANGE IN FUND BALANCES	--	--	(88,902)	(88,902)
FUND BALANCE - BEGINNING	174,864	174,864	174,864	--
FUND BALANCE - ENDING	<u>\$ 174,864</u>	<u>\$ 174,864</u>	<u>\$ 85,962</u>	<u>\$ (88,902)</u>

STATISTICAL SECTION

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

Contents	Page
Financial Trends	77
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	84
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	
Debt Capacity	88
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	93
These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	95
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

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Table 1

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental activities										
Net investment in capital assets	\$ 8,379,265	\$ 7,809,291	\$ 8,048,209	\$ 7,039,867	\$ 6,821,524	\$ 7,358,654	\$ 7,955,663	\$ 6,702,490	\$ 6,712,916	\$ 6,727,154
Restricted	2,700,374	1,282,777	958,908	1,936,525	1,673,212	1,563,527	1,465,125	1,501,965	2,551,895	700,632
Unrestricted (Deficit)	2,362,594	2,685,857	1,605,938	913,340	916,400	357,574	(142,932)	(576,036)	(1,492,960)	817,238
Total governmental activities net position	\$ 13,442,233	\$ 11,777,925	\$ 10,613,055	\$ 9,889,732	\$ 9,411,136	\$ 9,279,755	\$ 9,277,856	\$ 7,628,419	\$ 7,771,851	\$ 8,245,024
Business-type activities										
Net investment in capital assets	\$ 12,685,690	\$ 11,842,507	\$ 11,520,465	\$ 11,400,545	\$ 10,612,940	\$ 10,209,670	\$ 9,636,185	\$ 5,907,504	\$ 9,885,063	\$ 8,891,967
Restricted	90,562	1,269,667	724,942	89,166	109,639	110,099	109,835	109,518	108,512	107,964
Unrestricted	4,531,731	3,701,601	3,335,438	2,917,649	2,436,261	2,188,859	1,757,345	5,397,271	1,067,991	2,365,593
Total business-type activities net position	\$ 17,307,983	\$ 16,813,775	\$ 15,580,845	\$ 14,407,360	\$ 13,158,840	\$ 12,508,628	\$ 11,503,365	\$ 11,414,293	\$ 11,061,566	\$ 11,365,524
Primary government										
Net investment in capital assets	\$ 21,064,955	\$ 19,651,798	\$ 19,568,674	\$ 18,440,412	\$ 17,434,464	\$ 17,568,324	\$ 17,591,848	\$ 12,609,994	\$ 16,597,979	\$ 15,619,121
Restricted	2,790,936	2,552,444	1,683,850	2,025,691	1,782,851	1,673,626	1,574,960	1,611,483	2,660,407	808,596
Unrestricted	6,894,325	6,387,458	4,941,376	3,830,989	3,352,661	2,546,433	1,614,413	4,821,235	(424,969)	3,182,831
Total primary government net position	\$ 30,750,216	\$ 28,591,700	\$ 26,193,900	\$ 24,297,092	\$ 22,569,976	\$ 21,788,383	\$ 20,781,221	\$ 19,042,712	\$ 18,833,417	\$ 19,610,548

Table 2

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Expenses										
Governmental activities:										
General government	\$ 679,557	\$ 722,619	\$ 819,532	\$ 758,804	\$ 794,536	\$ 848,024	\$ 968,971	\$ 947,749	\$ 1,028,761	\$ 977,054
Civic Center	309,638	288,590	210,922	266,937	278,199	262,703	191,787	185,372	169,737	174,461
Community services	174,556	140,531	144,067	158,916	167,865	174,063	167,866	180,719	191,749	522,829
Public safety	2,816,309	2,130,537	2,162,602	2,278,625	2,263,525	2,316,510	2,238,950	2,150,448	2,067,871	2,022,473
Public works	657,153	526,083	556,909	515,788	641,286	621,519	571,870	899,680	459,204	349,254
Economic Development	287,427	287,427	287,427	297,806	297,806	-	-	-	-	-
Interest and fiscal agent fees	193,561	183,572	333,255	174,782	198,267	201,809	211,190	210,818	237,449	199,727
Total governmental activities expenses	<u>5,118,201</u>	<u>4,279,359</u>	<u>4,514,714</u>	<u>4,451,658</u>	<u>4,641,484</u>	<u>4,424,628</u>	<u>4,350,634</u>	<u>4,574,786</u>	<u>4,154,771</u>	<u>4,245,798</u>
Business-type activities:										
Water and Sewer fund	2,293,898	1,917,074	1,767,271	2,041,456	1,947,329	1,809,312	1,745,905	1,754,049	1,703,410	1,591,831
Sanitation fund	995,773	843,035	763,210	727,774	697,238	682,409	669,563	644,852	652,295	632,674
Airport fund	257,531	236,892	211,130	81,711	123,348	79,790	88,715	72,915	69,340	66,338
Total business-type activities expenses	<u>3,547,202</u>	<u>2,997,001</u>	<u>2,741,611</u>	<u>2,850,941</u>	<u>2,767,915</u>	<u>2,571,511</u>	<u>2,504,183</u>	<u>2,471,816</u>	<u>2,425,045</u>	<u>2,290,843</u>
Total primary government expenses	<u>\$ 8,665,403</u>	<u>\$ 7,276,360</u>	<u>\$ 7,256,325</u>	<u>\$ 7,302,599</u>	<u>\$ 7,409,399</u>	<u>\$ 6,996,139</u>	<u>\$ 6,854,817</u>	<u>\$ 7,046,602</u>	<u>\$ 6,579,816</u>	<u>\$ 6,536,641</u>
Program Revenues										
Governmental activities:										
Charges for services	\$ 439,378	\$ 424,190	\$ 420,334	\$ 373,334	\$ 443,157	\$ 403,071	\$ 421,763	\$ 386,407	\$ 400,584	\$ 292,131
Operating grants and contributions	2,828	1,325	41,090	288,446	6,953	7,627	1,686	1,831	-	12,486
Capital grants and contributions	529,175	-	-	-	15,882	58,937	1,468,902	100,000	29,000	353,777
Total governmental activities program revenues	<u>971,381</u>	<u>425,515</u>	<u>461,424</u>	<u>661,780</u>	<u>465,992</u>	<u>469,635</u>	<u>1,892,351</u>	<u>488,238</u>	<u>429,584</u>	<u>658,394</u>
Business-type activities:										
Charges for services:	3,392,924	3,220,901	3,032,047	2,999,656	2,976,975	3,179,677	3,018,087	2,840,434	2,772,382	2,837,372
Operating grants and contributions	31,837	7,165	21,489	29,739	6,298	11,000	8,563	-	6,420	6,146
Capital grants and contributions	508,000	639,700	657,385	591,184	296,669	179,623	214,573	600,503	141,668	-
Total business-type activities program revenues	<u>3,932,761</u>	<u>3,867,766</u>	<u>3,710,921</u>	<u>3,620,579</u>	<u>3,279,942</u>	<u>3,370,300</u>	<u>3,241,223</u>	<u>3,440,937</u>	<u>2,920,470</u>	<u>2,843,518</u>
Total primary government program revenues	<u>\$ 4,904,142</u>	<u>\$ 4,293,281</u>	<u>\$ 4,172,345</u>	<u>\$ 4,282,359</u>	<u>\$ 3,745,934</u>	<u>\$ 3,839,935</u>	<u>\$ 5,133,574</u>	<u>\$ 3,929,175</u>	<u>\$ 3,350,054</u>	<u>\$ 3,501,912</u>

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Net (Expenses) Revenue										
Governmental activities	\$ (4,146,820)	\$ (3,853,844)	\$ (4,053,290)	\$ (3,789,878)	\$ (4,175,492)	\$ (3,954,993)	\$ (2,458,283)	\$ (4,086,548)	\$ (3,725,187)	\$ (3,587,404)
Business-type activities	385,559	870,765	969,310	769,638	512,027	798,789	737,040	969,121	495,425	552,675
Total primary government net expense	\$ (3,761,261)	\$ (2,983,079)	\$ (3,083,980)	\$ (3,020,240)	\$ (3,663,465)	\$ (3,156,204)	\$ (1,721,243)	\$ (3,117,427)	\$ (3,229,762)	\$ (3,034,729)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 2,215,150	\$ 2,049,772	\$ 2,026,907	\$ 2,019,621	\$ 1,948,381	\$ 1,908,068	\$ 1,814,689	\$ 1,786,542	\$ 1,703,337	\$ 1,696,137
Sales taxes	2,744,074	2,545,005	2,253,551	2,105,042	1,900,238	1,767,272	1,649,954	1,602,074	1,502,969	1,372,365
Franchise Fees	537,131	456,345	407,668	392,935	322,465	332,181	319,980	318,245	338,410	340,188
Other taxes	77,589	62,147	62,348	54,022	61,302	54,268	56,213	61,625	56,214	54,966
Penalty & Interest	34,253	29,312	29,990	18,233	16,235	14,469	21,520	24,188	14,182	14,394
Miscellaneous Revenue	56,321	123,852	73,229	78,456	67,646	89,365	72,395	62,740	68,479	46,771
Investment earnings	228,538	87,041	39,224	32,299	38,871	23,815	17,858	23,074	18,048	8,978
Gain(Loss) on Disposition of Assets	-	-	-	(10,942)	8,808	96,170	80,277	-	(46,375)	-
Transfers	(81,929)	(334,759)	(116,304)	(421,192)	(57,072)	(216,318)	74,834	64,628	618,157	146,779
Total governmental activities	5,811,127	5,018,715	4,776,613	4,268,474	4,306,874	4,069,290	4,107,720	3,943,116	4,273,421	3,680,578
Business-type activities:										
Investment earnings	15,175	11,855	15,548	18,558	18,429	18,091	13,273	11,719	12,146	12,161
Miscellaneous Revenue	11,544	15,550	8,552	14,204	62,270	-	-	-	-	-
Gain(Loss) on Disposition of Assets	-	-	(2,990)	24,926	39,770	1,942	56,231	(563,485)	-	-
Transfers	81,929	334,759	116,304	421,192	57,072	216,318	(74,834)	(64,628)	(618,157)	(146,779)
Total business-type activities	108,648	362,164	137,414	478,880	177,541	236,351	(5,330)	(616,394)	(606,011)	(134,618)
Total primary government	\$ 5,919,775	\$ 5,380,879	\$ 4,914,027	\$ 4,747,354	\$ 4,484,415	\$ 4,305,641	\$ 4,102,390	\$ 3,326,722	\$ 3,667,410	\$ 3,545,960
Change in Net Position										
Governmental activities	\$ 1,664,307	\$ 1,164,871	\$ 723,323	\$ 478,596	\$ 131,382	\$ 114,297	\$ 1,649,437	\$ (143,432)	\$ 548,234	\$ 93,174
Business-type activities	494,207	1,232,929	1,106,724	1,248,518	689,568	1,035,140	731,710	352,727	(110,586)	418,057
Total primary government	\$ 2,158,514	\$ 2,397,800	\$ 1,830,047	\$ 1,727,114	\$ 820,950	\$ 1,149,437	\$ 2,381,147	\$ 209,295	\$ 437,648	\$ 511,231

Table 3

City of Gilmer, Texas
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Fund										
Nonspendable	\$ -	\$ -	\$ 4,175	\$ 3,977	\$ -	\$ -	\$ 9,929	\$ 7,362	\$ -	\$ -
Restricted	192,333	176,682	238,058	207,512	190,727	320,368	388,551	585,414	1,820,752	47,258
Committed	235,277	239,701	-	-	-	-	-	-	-	-
Assigned	155,861	106,723	64,592	75,413	252,112	78,614	173,460	67,930	64,694	64,620
Unassigned	2,862,657	3,047,422	2,612,671	1,965,730	1,813,117	1,434,605	990,025	801,510	1,106,046	648,288
Total general fund	\$ 3,446,128	\$ 3,570,528	\$ 2,919,496	\$ 2,252,632	\$ 2,255,956	\$ 1,833,587	\$ 1,561,965	\$ 1,462,216	\$ 2,991,492	\$ 760,166
All Other Governmental Funds										
Nonspendable	\$ 228,087	\$ -	\$ 553	\$ 552	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for Debt Service	85,962	850,472	704,289	1,675,988	1,381,748	1,144,113	974,592	832,189	679,504	582,458
Restricted for Construction	6,344,963	6,524,361	6,498,643	-	-	-	-	-	-	-
Restricted for Other Purposes	1,997,300	145,161	150,226	140,245	142,710	137,006	137,196	125,694	114,776	120,583
Unassigned	-	(1,851)	-	(8,444)	-	-	-	-	-	-
Total all other governmental funds	\$ 8,656,312	\$ 7,518,143	\$ 7,353,711	\$ 1,808,341	\$ 1,524,458	\$ 1,281,119	\$ 1,111,788	\$ 957,883	\$ 794,280	\$ 703,041

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Table 4

City of Gilmer, Texas
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues										
Property Taxes	\$ 2,219,525	\$ 2,042,840	\$ 2,032,488	\$ 2,035,760	\$ 1,939,448	\$ 1,887,755	\$ 1,814,372	\$ 1,804,492	\$ 1,695,959	\$ 1,683,175
Penalty & Interest	34,253	29,312	29,990	18,233	16,235	14,981	21,520	24,188	14,182	14,394
Sales Tax	2,744,074	2,545,005	2,253,551	2,105,042	1,900,238	1,767,272	1,649,954	1,602,074	1,502,969	1,372,365
Franchise Fees	537,131	456,345	407,668	392,935	322,465	332,181	319,980	318,246	338,410	340,188
Other Taxes	77,589	62,147	62,348	54,022	61,302	53,756	56,213	61,625	56,214	54,966
Fines and forfeitures	172,524	175,461	185,434	177,812	231,699	206,197	216,953	235,210	259,838	168,331
Licenses, permits, and fees	64,735	46,852	41,102	32,221	39,581	36,667	23,784	26,856	24,633	37,441
Intergovt. Revenue & Grants	136,800	135,900	126,000	126,000	126,000	126,000	122,954	73,540	60,809	59,684
Investment earnings	228,538	87,041	39,223	32,299	38,871	23,815	17,858	23,075	18,048	8,977
Rents & Royalties	57,976	49,784	43,737	35,049	38,595	35,481	38,800	45,948	50,184	42,699
Grant Revenue	1,153	1,325	41,090	288,446	20,035	17,057	234,792	101,831	29,000	366,264
Donations	-	-	-	-	-	49,507	1,235,796	-	-	1,000
Other revenue	55,310	120,305	70,871	89,669	65,616	64,991	87,113	62,740	83,547	49,637
Total Revenues	6,329,608	5,752,317	5,333,502	5,387,488	4,800,085	4,615,660	5,840,089	4,379,825	4,133,793	4,199,121
Expenditures										
Current:										
Legislative	31,748	33,446	35,720	28,839	25,693	21,864	30,005	26,940	29,248	28,600
Municipal Court	83,545	78,882	76,043	83,031	83,700	86,393	84,075	86,969	92,867	79,690
Executive/Administration	389,056	245,156	231,541	224,736	232,377	268,506	316,674	392,383	479,442	339,967
Community Services	164,052	141,444	144,433	150,281	156,308	147,105	140,512	166,289	181,424	494,391
Financial Administration	156,873	151,926	179,780	177,685	174,276	164,495	163,758	156,835	170,028	177,622
Police Department	1,735,704	1,572,789	1,500,448	1,572,120	1,443,036	1,466,656	1,340,591	1,350,877	1,484,964	1,316,445
Fire Department	817,418	906,883	657,375	1,130,739	660,257	625,501	638,413	692,493	544,512	530,265
Street Department	698,630	240,817	406,337	323,446	301,282	262,472	823,721	2,116,784	364,801	420,315
Parks & Lake	214,105	109,591	67,355	108,095	128,495	87,248	138,559	500	-	-
Civic Center	197,617	170,866	85,025	137,564	147,134	158,336	1,431,960	137,523	148,204	118,228
Non-Departmental	-	218,879	288,387	236,235	229,711	238,161	246,708	193,396	291,158	256,150
Debt Service:										
Principal retirement	518,421	475,696	347,978	327,718	307,303	294,451	277,022	254,228	270,000	260,000
Interest and fiscal changes	219,445	260,539	101,791	182,349	193,640	204,155	212,185	232,334	187,325	199,454
Bond/Agent Fees	7,297	3,400	182,920	2,900	2,900	1,550	3,050	2,575	35,592	-
Total Expenditures	5,233,911	4,610,314	4,305,133	4,685,738	4,086,112	4,088,718	5,847,233	5,810,126	4,279,565	4,221,127

City of Gilmer, Texas
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Excess of Revenues Over (Under) Expenditures	1,095,697	1,142,003	1,028,369	701,750	713,973	526,942	(7,144)	(1,430,301)	(145,772)	(22,006)
Other financing sources (uses)										
Sale of Assets	-	8,220	-	-	8,808	130,330	129,462	-	-	-
Loan Proceeds	-	-	-	-	-	-	56,500	-	-	-
Transfers in	890,932	940,599	549,594	261,903	606,037	961,042	795,188	775,438	1,436,104	761,102
Transfers out	(972,861)	(1,275,358)	(665,898)	(683,095)	(663,109)	(1,177,360)	(720,354)	(710,809)	(817,946)	(614,323)
General obligation bonds issued	-	-	5,945,000	-	-	-	-	-	-	-
Refunding bonds issued	-	-	1,620,000	-	-	-	-	-	1,810,000	-
Premium on general obligation bonds issued	-	-	674,712	-	-	-	-	-	40,179	-
Payment to refunded bond escrow agent	-	-	(2,939,544)	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(81,929)	(326,539)	5,183,864	(421,192)	(48,264)	(85,988)	260,796	64,629	2,468,337	146,779
Special Item					-	-	-	-	-	-
Net change in fund balances	\$ 1,013,768	\$ 815,464	\$ 6,212,233	\$ 280,558	\$ 665,709	\$ 440,954	\$ 253,652	\$ (1,365,672)	\$ 2,322,565	\$ 124,773
Debt service as percentage of noncapital expenditures	16.9%	17.3%	11.2%	13.0%	12.7%	12.8%	12.8%	11.6%	12.0%	11.7%

Table 5

City of Gilmer, Texas
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended Sept 30	Real Property			Personal Property				Less Exemptions, Prod. Loss & Homestead Cap	Total Assessed Value	Tax Rate	Estimated Tax Value	Ratio of Total Assessed Value to Total Est. Actual Value
	Residential Assessed Value	Commercial Assessed Value	Industrial	Commercial	Industrial	Ag & Timber	Mineral Lease					
2014	154,162,891	68,244,495	8,550,810	24,064,515	18,690,902	1,509,590	984,966	87,671,007	276,208,169	0.635424	276,208,169	100.0%
2015	152,634,129	68,057,390	8,690,900	23,513,279	18,568,706	1,542,220	862,161	95,399,430	273,868,785	0.625178	273,868,785	100.0%
2016	152,852,883	75,942,991	8,701,460	24,992,009	22,428,118	1,211,440	559,942	84,167,301	286,688,843	0.625178	286,688,843	100.0%
2017	159,166,696	74,669,206	9,192,340	23,527,759	21,525,890	1,241,920	199,318	85,044,175	289,523,129	0.629523	289,523,129	100.0%
2018	168,238,000	81,676,482	9,227,092	24,313,233	20,724,028	1,971,800	275,999	91,157,570	306,426,634	0.629523	306,426,634	100.0%
2019	164,012,232	86,300,913	9,098,217	26,530,910	23,159,653	1,112,510	160,421	90,578,472	310,374,856	0.629523	310,374,856	100.0%
2020	172,343,434	89,252,034	8,901,165	23,863,755	25,968,353	1,001,320	259,401	88,236,724	321,589,462	0.629523	321,589,462	100.0%
2021	168,513,646	85,961,050	9,113,977	23,979,054	29,563,809	969,980	154,740	85,450,921	318,256,256	0.629523	318,256,256	100.0%
2022	173,384,617	82,829,204	8,973,101	28,799,176	34,381,490	1,027,190	85,120	116,343,021	329,479,898	0.625619	329,479,898	100.0%
2023	200,150,287	97,233,010	10,564,810	32,863,916	45,164,046	1,051,920	178,796	116,848,953	387,206,784	0.625619	387,206,784	100.0%

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

Source: Upshur Appraisal District.

Table 6

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

Fiscal Year	CITY OF GILMER			UPSHUR COUNTY			GILMER SCHOOL DISTRICT			UPSHUR ESD #1			Total Direct & Overlapping Rates
	Operating	Debt Service	Total Rate	Operating	Debt Service	Total Rate	Operating	Debt Service	Total Rate	Operating	Debt Service	Total Rate	
2014	0.419305	0.216119	0.635424	0.522300	0.000000	0.522300	1.170000	0.015000	1.185000	0.030000	0.000000	0.030000	2.372724
2015	0.407213	0.217965	0.625178	0.566600	0.000000	0.566600	1.170000	0.015000	1.185000	0.030000	0.000000	0.030000	2.406778
2016	0.418761	0.206417	0.625178	0.558400	0.000000	0.558400	1.170000	0.050000	1.220000	0.030000	0.000000	0.030000	2.433578
2017	0.433832	0.195691	0.629523	0.569800	0.000000	0.569800	1.170000	0.050000	1.220000	0.070000	0.000000	0.070000	2.489323
2018	0.440419	0.189104	0.629523	0.595000	0.000000	0.595000	1.170000	0.050000	1.220000	0.070000	0.000000	0.070000	2.514523
2019	0.438801	0.190722	0.629523	0.615000	0.000000	0.615000	1.170000	0.140000	1.310000	0.070000	0.000000	0.070000	2.624523
2020	0.447488	0.182035	0.629523	0.615000	0.000000	0.615000	1.068300	0.330700	1.399000	0.070000	0.000000	0.070000	2.713523
2021	0.460936	0.164683	0.625619	0.615000	0.000000	0.615000	1.068300	0.330700	1.399000	0.070000	0.000000	0.070000	2.709619
2022	0.460936	0.164683	0.625619	0.599000	0.000000	0.599000	1.041900	0.357100	1.399000	0.064600	0.000000	0.064600	2.688219
2023	0.423115	0.147679	0.570794	0.599000	0.000000	0.599000	0.942900	0.306600	1.249500	0.064600	0.000000	0.064600	2.483894

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

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

Table 7

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

Taxpayer	2023			2014		
	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
ROB ROY INDUSTRIES	22,768,250	1	7.15%	\$ 10,152,870	1	2.85%
ETEX TELEPHONE COOP	9,954,390	2	3.13%	2,951,920	6	3.48%
WAL-MART	9,209,690	3	2.89%	9,124,800	2	1.22%
AEP SOUTHWESTERN ELECTRIC	6,811,940	4	2.14%	3,204,800	5	1.34%
HIXSON LUMBER	6,611,280	5	2.08%	3,520,360	4	0.96%
COIL SPECIALIST	5,756,880	6	1.81%	2,522,620	9	1.03%
SCOUT 5 PROPERTIES	5,669,320	7	1.78%	-	-	-
WESTCO FAMILY PROPERTIES LLC	5,583,820	8	1.75%	-	-	-
WESLEY HOUSE GILMER	4,618,956	9	1.45%	4,288,660	3	-
GILMER NATIONAL BANK	3,598,880	10	1.13%	2,907,980	7	1.13%
DEAN LUMBER COMPANY	-	-	-	2,644,530	8	1.40%
FIRST NATIONAL BANK GILMER	-	-	-	2,504,260	10	1.11%
Total Assessed Valuation	\$ 318,256,256			\$ 261,919,610		

Source: Upshur County Appraisal District

Table 8

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Tax Levy		Amount	Percentage of Tax Levy
2014	1,712,194	1,646,786	96.18%	51,484	1,698,270	99.19%
2015	1,711,717	1,656,354	96.77%	41,040	1,697,394	99.16%
2016	1,787,675	1,740,839	97.38%	31,652	1,772,491	99.15%
2017	1,818,198	1,765,132	97.08%	34,058	1,799,190	98.95%
2018	1,924,996	1,853,508	96.29%	46,988	1,900,496	98.73%
2019	1,953,881	1,876,400	96.03%	49,495	1,925,895	98.57%
2020	2,015,469	1,960,772	97.29%	27,346	1,988,118	98.64%
2021	2,021,252	1,972,998	97.61%	21,031	1,994,029	98.65%
2022	2,060,663	1,996,024	96.86%	20,956	2,016,980	97.88%
2023	2,210,153	2,151,892	97.36%	-	2,151,892	97.36%

Table 9

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

Fiscal Year	Governmental Activities					Business-type Activities					
	General Obligation Bonds	Certificates of Obligation	Sales Tax & Revenue Bonds	Premium or Discount on Bonds	Notes Payable	Tax & Revenue Certificate of Obligation	Refunding Bonds	Premium or Discount on Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
2014	125,000	-	3,995,000	(20,057)	-	450,000	8,520,000	262,221	13,332,164	11.38%	2,650
2015	-	1,810,000	3,850,000	21,184	-	1,750,000	8,315,000	282,712	16,028,896	13.17%	3,150
2016	-	1,705,772	3,700,000	18,899	-	1,649,228	7,820,000	261,120	15,155,019	13.11%	2,944
2017	-	1,583,750	3,545,000	16,613	56,500	1,531,250	7,320,000	239,528	14,292,641	12.24%	2,760
2018	-	1,454,101	3,385,000	14,327	51,698	1,405,899	6,815,000	217,934	13,343,959	11.24%	2,561
2019	-	1,316,826	3,220,000	12,042	46,670	1,273,174	6,305,000	196,342	12,370,054	10.47%	2,386
2020	-	1,164,298	3,050,000	9,756	41,480	1,125,702	5,590,000	455,404	11,436,640	9.60%	2,187
2021	-	6,951,685	1,615,000	686,368	36,115	973,314	5,135,000	413,176	15,810,658	13.78%	3,024
2022	-	6,596,531	1,500,000	649,284	30,573	818,469	4,660,000	370,950	14,625,807	12.92%	2,836
2023	-	6,203,834	1,380,000	612,200	24,849	661,166	4,170,000	328,723	13,380,772	10.97%	2,661

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

City of Gilmer, Texas
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years (Unaudited)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value ¹ of Property	Per Capita ²
2014	125,000	19,991	105,009	0.04%	21
2015	-	-	-	0.00%	-
2016	-	-	-	0.00%	-
2017	-	-	-	0.00%	-
2018	-	-	-	0.00%	-
2019	-	-	-	0.00%	-
2020	-	-	-	0.00%	-
2021	-	-	-	0.00%	-
2022	-	-	-	0.00%	-
2023	-	-	-	0.00%	-

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

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

City of Gilmer, Texas
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2023 (Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable¹	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Gilmer ISD (as of 08/31/2023)	\$ 44,882,389	32.48%	\$ 14,577,800
Upshur County (as of 09/30/2023)	-	13.95%	-
Subtotal, overlapping debt			<u>14,577,800</u>
City of Gilmer	8,220,883	100.00%	8,220,883
Total direct and overlapping debt			<u><u>\$ 22,798,683</u></u>

DATA SOURCE: Texas Municipal Advisory Council

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

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

Table 12

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax Rate Limit	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	<u>0.570794</u>	<u>0.625619</u>	<u>0.625619</u>	<u>0.629523</u>	<u>0.629523</u>	<u>0.629523</u>	<u>0.629523</u>	<u>0.625178</u>	<u>0.625178</u>	<u>0.635424</u>
Available Tax Rate	<u>\$ 1.92921</u>	<u>\$ 1.87438</u>	<u>\$ 1.87438</u>	<u>\$ 1.87048</u>	<u>\$ 1.87048</u>	<u>\$ 1.87048</u>	<u>\$ 1.87048</u>	<u>\$ 1.87482</u>	<u>\$ 1.87482</u>	<u>\$ 1.86458</u>

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

Table 13

City of Gilmer, Texas
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Water Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2014	2,027,628	921,098	1,106,530	625,000	320,188	117.1%
2015	1,947,614	1,005,086	942,528	655,000	292,313	99.5%
2016	2,010,266	1,093,665	916,601	595,772	315,324	100.6%
2017	2,128,684	1,055,676	1,073,008	617,977	289,493	118.2%
2018	2,279,780	1,126,850	1,152,930	630,351	275,129	127.3%
2019	2,053,624	1,171,255	882,369	642,725	259,568	97.8%
2020	2,118,301	1,217,056	901,245	652,472	243,636	100.6%
2021	2,123,826	1,102,274	1,021,552	607,388	182,020	129.4%
2022	2,256,371	1,277,843	978,528	629,845	162,114	123.6%
2023	2,283,409	1,657,836	625,573	647,304	148,557	78.6%

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

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

Fiscal Year	Population ¹	Median Personal Income ³	Per Capita ⁵ Personal Income	School Enrollment ⁴	Unemployment Rate ²
2014	5,031	46,618	23,278	2,462	5.10%
2015	5,088	46,122	23,922	2,415	5.20%
2016	5,148	41,103	22,455	2,421	6.30%
2017	5,179	44,672	22,547	2,418	4.30%
2018	5,210	36,418	22,790	2,418	4.10%
2019	5,184	36,418	22,790	2,493	3.80%
2020	5,229	41,753	22,790	2,585	8.50%
2021	5,229	57,791	21,940	2,510	5.60%
2022	5,158	40,903	21,940	2,678	7.70%
2023	5,029	43,894	24,262	2,720	3.90%

Data Sources:

- ¹ Texas State Data Center & Office of the State Demographer
- ² PLACES.US.COM
- ³ US 2010 Census adjusted by CPI for inflation, expressed in thousands
- ⁴ Texas Education Agency
- ⁵ Search Per Capita Income - Gilmer - Last update 2019

City of Gilmer, Texas
PRINCIPAL EMPLOYERS
Current and Nine Years Ago (Unaudited)

Employer	2023		2014	
	No. Employees ¹	Rank	No. Employees ¹	Rank
Gilmer ISD	498	1	376	1
Custom Commodities	290	2	78	2
Walmart	250	3	200	8
Upshur County	224	4	200	3
Hixson Lumber Company	170	5	100	5
RobRoy Industries	120	6	92	7
ETEX	116	7	112	6
Upshur Rural Electric	105	8	96	4
CSI	62	9	45	10
City of Gilmer	51	10	53	9
City of Gilmer Total	NOT AVAILABLE		NOT AVAILABLE	

¹ Employment numbers provided by respective employers

Table 16

City of Gilmer, Texas

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

Function / Program	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Government										
City Administration	3	3	3	3	3	3	3	3	3	3
Finance	2	2	2	2	2	2	2	2	2	2
Municipal court	1	1	1	1	1	1	1	1	1	1
Community Development	1	1	1	1	1	1	1	1	1	1
Permits/Billing	2.5	2.5	2.5	3	3	2.5	2.5	2.5	2.5	2.5
Police										
Administration	1	1	1	1	1	1	1	1	1	1
Officers	16	16	16	16	16	16	16	16	16	16
Civilians	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Animal control	1	1	1	1	1	1	1	1	1	1
Fire										
Firefighters and officers	7	7	7	7	9	7	7	7	7	7
Public Works										
Public Works Administration	1	1	1	1	1	1	1	1	1	1
Public Works Employees	11	11	11	11	11	11	10	9	9	9
Civic Center										
Administration	1	1	1	1	1	1	1	1	1	1
Total all governmental funds	<u>51</u>	<u>51</u>	<u>51</u>	<u>52</u>	<u>54</u>	<u>51</u>	<u>50</u>	<u>49</u>	<u>49</u>	<u>49</u>

Table 17

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

Function/Program	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General government										
Building permits issued	38	31	32	30	20	99	115	157	145	214
Building inspections conducted	69	69	68	60	240	196	116	166	165	243
Public Safety										
Police:										
Physical arrests	283	278	165	223	478	385	479	494	718	467
Traffic violations	4,546	3,081	2,212	2,114	2,739	2,935	1,825	1,696	2,331	1,429
Fire:										
Emergency responses	508	526	458	455	456	593	481	434	423	457
Fires extinguished	138	190	116	117	117	201	133	132	174	161
Inspections	50	52	47	64	55	94	24	21	23	26
Highways and streets										
Street resurfacing (miles)	2	2	1	1	1	-	1	1	8	-
Potholes repaired	1,500	1,500	1,500	1,500	1,500	300	300	300	300	300
Water										
New connections	82	N/A	16	34	5	5	5	5	5	5
Water main breaks	29	11	15	24	19	45	31	25	35	29
Average daily consumption (thousands of gallons)	448	983	750	678	561	618	668	662	713	660
Peak daily consumption (thousands of gallons)	2,831	3,502	1,979	1,620	2,053	1,767	1,439	1,086	1,278	987
Municipal Court										
Cases processed	1,939	2,398	2,394	2,199	3,330	3,015	2,775	2,529	3,551	2,146
General Services										
Work orders	2,303	3,405	2,545	1,788	1,885	1,890	2,277	2,849	2,078	2,332
Information Technology										
Personal computers / laptops	20	20	20	20	20	20	20	20	20	20
Service requests	*	*	*	*	*	*	66	43	59	29

NOTES: "*" denotes data not available

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

Function	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	6	6	6	6	6	6	6	6	6	6
Fire										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of vehicles	11	11	11	11	11	11	11	10	10	10
Streets and Grounds										
Streets (miles)	41.90	41.40	41.40	41.40	41.40	41.40	41.40	41.40	41.40	41.40
Water										
Water mains	56	56	56	56	56	56	56	56	56	56
Fire hydrants	297	291	291	291	291	291	291	291	282	282
Storage capacity	2,075,000	2,075,000	2,075,000	2,075,000	2,075,000	2,075,000	2,075,000	2,075,000	2,075,000	2,075,000
Wastewater										
Sanitary sewer (miles)	53.70	53.20	53.20	53.20	53.20	53.20	53.20	53.20	53.20	53.20
General Services										
Facilities	4	4	4	4	4	4	4	4	4	4
Fleet vehicles	14	14	14	14	14	14	14	11	11	11
Network servers	2	2	2	2	2	2	2	2	2	2

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COMPLIANCE SECTION

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

KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

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Chanie A. Johnson, CPA

Independent Auditors' Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards*

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

Members of the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gilmer, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise City of Gilmer, Texas' basic financial statements, and have issued our report thereon dated May 7, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-1 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Gilmer, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2023-2.

Purpose of this Report

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

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas

May 7, 2024

CITY OF GILMER, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
One or more material weaknesses identified?	<u> X </u> Yes	<u> </u> No	
One or more significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Noted	
Noncompliance material to financial statements noted?	<u> X </u> Yes	<u> </u> No	

B. Financial Statement Findings

Finding 2023-1

Criteria:

An auditor's identification of a material misstatement of the financial statements that was not detected by the City's internal control is an indicator of a material weakness in internal control.

Condition:

Material audit adjustments were required in order to produce financial statements that are presented fairly, in all material respects, in accordance with the applicable reporting framework.

Cause of Condition:

The nature of the material misstatements was such that each resulted from a nonrecurring or infrequent transaction that was not detected by the entity's staff in the normal course of performing their duties. Examples include not recording a prepaid expenditure for a deposit on a future park improvement project and not recognizing a capital contribution for the value of water and sewer infrastructure assets from a local developer. Additionally, material adjustments were required to address the compliance issue reported in Finding 2023-2 below.

Effect:

Prior to the corrections that were recorded by management, the financial statements were understated by the amounts of the prepaid expenditure and the infrastructure assets.

Recommendation:

City management should develop a year-end closing control process that includes a retrospective review of "special situations" that may require specific financial statement treatment. Such items may include construction in progress, donated assets, other noncash transactions, and the like.

Client Response:

City management will interview finance personnel regarding each asset and liability class on a quarterly basis throughout the year. A questionnaire, completed by finance personnel, will be submitted to city management at the end of the fiscal year.

CITY OF GILMER, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Finding 2023-2

Criteria:

Local Government Code, Sec. 504, specifies the types of projects permitted for funding from the Type A sales tax. Community development initiatives, such as park facilities, are not an allowable use of Type A funds.

Condition:

The Economic Development Corporation, a Type A corporation, provided funding for debt service on the City's 2021 Combination Tax and Revenue Certificates of Obligation that were originally issued to finance certain park improvement projects. Those transactions were not an allowable use of Economic Development Corporation Funds.

Cause:

City management, acting upon the recommendation of the City's financial advisors, planned for debt service on the 2021 Combination Tax and Revenue Certificates of Obligation to be available from unencumbered sales tax revenues in the Economic Development Fund. The eligibility of EDC funds to be expended in that manner was not thoroughly considered or verified prior to implementation of that funding plan.

Effect:

Improper expenditure of EDC resources impaired its potential to fund approved, eligible economic development projects. As noted below, however, the City has made arrangements to reimburse the EDC for all prior debt service payments that were made in error.

Recommendation:

The City should reimburse the Economic Development Corporation for all prior payments that were applied to debt service on the 2021 Combination Tax and Revenue Certificates of Obligation. In addition, the City should identify allowable sources of funds to meet its debt service obligations on the 2021 CO's in the future.

Client Response:

City officials have made provision for the General Fund and the Water and Sewer Fund to reimburse the Economic Development Corporation for all prior amounts paid toward debt service on the 2021 Combination Tax and Revenue Certificates of Obligation. Future debt service payments on that debt issue will be provided from other legal sources.

C. Federal Award Findings and Questioned Costs

NONE

CITY OF GILMER, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

CITY OF GILMER, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2023

The person responsible for implementing this corrective action is Greg Hutson, City Manager.

Finding 2023-1:

City management will begin to gather relevant accounting and disclosure information from finance personnel on a quarterly basis effective immediately. At year end, finance personnel will be expected to complete a comprehensive questionnaire that addresses potential accounting and disclosure areas for consideration and will submit that information to the City Manager in time for action as needed prior to commencement of the City's annual audit.

Finding 2023-2:

City officials have identified resources available to reimburse the Economic Development Corporation for all prior amounts paid toward debt service on the 2021 Combination Tax and Revenue Certificates of Obligation. Such payments are expected to occur from the City's General Fund and Water and Sewer Fund in June and July, 2024, when certain invested resources reach maturity and are available without financial penalty. Future debt service on the 2021 debt issue will be provided in the City's annual budget as required.