

CITY OF GLADEWATER  
CITY COUNCIL REGULAR SESSION  
AND EMERGENCY SESSION  
MINUTES  
MARCH 19, 2020  
6:00 P.M.

COUNCIL MEMBERS PRESENT: Mayor J.D. Shipp, Mayor Pro-tem Elijah "Sonny" Anderson, Farrell Alexander, Brandy Flanagan, Nick Foster, Karla Byrd, Kevin Clark

STAFF PRESENT: Ricky Tow, Judy Van Houten, Amanda Hill, Al Harrison, Cory Crowell, Gordon Freeman, Rhonda Smith

GUESTS PRESENT: Christian Allen, Suzanne Bardwell, Homer Fomby, Nick Hardwick, Matt Byrd, Andre Clay, Jill Clay, Glenda Mims, Ester L. Lee

- I. CALL TO ORDER – Mayor Shipp called the meeting to order at 6:00 p.m.
- a) Invocation – Councilmember Alexander
  - b) Pledge – Councilmember Foster

II. MAYOR'S COMMENTS

Mayor Shipp read a statement regarding COVID-19 and said he has put together a committee to stay on top of developments as things change. He said the safety of our citizens and awareness to precaution is our utmost priority.

III. CITY MANAGER'S REPORT

City Manager Tow gave the following updates:

1. Census 2020 – he encouraged everyone to complete their Census 2020 either online or via return mail.
2. Water line – working on final tie-ins now and this coming Tuesday will be the last large tie-in. Some residents could be without water for up to six hours during this time.
3. Intake structure – this is on hold for now.
4. Waste Water Treatment Plant – the building is up, the belt press is in, and they are redesigning some drainage issues. Their employees are being extra vigilant on health and safety during this virus situation.
5. On-boarding – this will be presented to Council at the next regular meeting.
6. Gregg County Tax Office – all locations are closed except for the Courthouse in Longview.
7. Animal Control – they have closed intake on all animals for now.
8. City Public Restrooms – have been closed at this time.
9. Municipal Court – all court dates have been postponed/rescheduled until May 12, 2020.
10. Republic Waste – will continue pick-up of residential and commercial trash service. They have suspended bulk pick-ups at this time.

IV. CITIZENS COMMENTS

None.

V. CONSIDERATION of consent agenda:

- a) Minutes – February 20, 2020 and March 12, 2020
- b) Contract for election services with Gregg County
- c) Blanket Permit – 35<sup>th</sup> Annual East Texas Gusher Days

Councilmember Foster made a motion to approve item a) of the consent agenda; seconded by Councilmember Alexander. Motion carried 7-0.

Mayor Shipp said that item b) will be postponed until later in the meeting.

Mayor Pro-tem Anderson made a motion to table item c) at this time; seconded by Councilmember Foster. Motion carried 7-0.

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VI. CONSIDERATION of committee recommendation regarding Lake Gladewater RFP

City Manager Tow said there were no RFP's received from this last advertisement.

Councilmember Clark made a motion to remove the 3 year stipulation per City Attorney Ron Stutes recommendation; seconded by Councilmember Flanagan. Motion carried 7-0.

VII. PUBLIC HEARING regarding demolition of structures located at:

- a) LOT 6, BLK 1 SILVER CITY ADDN #2 S347 (A8) 0.1377 ACRES & OLD HOUSE-NCV, more commonly known as 110 S. Culver Street;
- b) LOT 7, BLK 1 SILVER CITY ADDN #2 S347 (A8) .2583 ACRES & HOUSE, more commonly known as 112 S. Culver Street;
- c) LOT 8 BLK 10 GLADEVIEW ADDN S177 (A8) .2583 ACRES & HOUSE, more commonly known as 1205 N. Edwards Street;
- d) LT 1 BLK 3 NORTON & OLSON, more commonly known as 400 W. Sunset Avenue;
- e) LTS 8 & 9A BLK 3 (N 12.5' LT 9) BELWOOD, more commonly known as 609 White Street; and
- f) LTS 9 THRU 11 BLK 3 BELWOOD, more commonly known as 611 White Street.

Mayor Shipp opened the public hearing at 6:17 p.m.

- a) Al Harrison, Building Official, indicated the owner is ok with the City completing the demolition and billing him.
- b) Mr. Harrison indicated that there are 8 heirs on this property. They have a possible buyer to move the structure. Ms. Sparks, one of the heirs, has asked for an extension of 30 days, possibly longer.
- c) Mr. Harrison said the owners are deceased. There are 4 heirs but they have ceased to maintain the property.
- d) Mr. Harrison said there 5 relatives involved in this one. The house is not structurally sound.
- e) Homer Fomby - 609 White Street - said there are 3 lots here but he only owns 1 of them. He will set-up a payment plan to repay the City for demolition.
- f) Homer Fomby - 611 White Street - his aunt owned the property. She is deceased without heirs. He has maintained the taxes on the property. Mr. Harrison said there are no heirs to repay the demolition costs.

With no further comments Mayor Shipp closed the public hearing at 6:33 p.m.

VIII. CONSIDERATION of demolition of structures located at:

- a) LOT 6, BLK 1 SILVER CITY ADDN #2 S347 (A8) 0.1377 ACRES & OLD HOUSE-NCV, more commonly known as 110 S. Culver Street;
- b) LOT 7, BLK 1 SILVER CITY ADDN #2 S347 (A8) .2583 ACRES & HOUSE, more commonly known as 112 S. Culver Street;
- c) LOT 8 BLK 10 GLADEVIEW ADDN S177 (A8) .2583 ACRES & HOUSE, more commonly known as 1205 N. Edwards Street;
- d) LT 1 BLK 3 NORTON & OLSON, more commonly known as 400 W. Sunset Avenue;
- e) LTS 8 & 9A BLK 3 (N 12.5' LT 9) BELWOOD, more commonly known as 609 White Street; and
- f) LTS 9 THRU 11 BLK 3 BELWOOD, more commonly known as 611 White Street.

Councilmember Foster asked that item d) be pulled for separate consideration so that can abstain as he is one of the relatives involved.

Councilmember Alexander made a motion to approve demolition of structures a), b), c), e) and f); seconded by Councilmember Foster. Motion carried 7-0.

Councilmember Clark made a motion to approve demolition of structure d); seconded by Councilmember Flanagan. Motion carried 6-0-1 with Foster abstaining.

IX. CONSIDERATION of budget amendment for Forestry Service Grant for brush/skid unit

Fire Chief Crowell gave a PowerPoint presentation regarding the brush/skid unit. He said we have received a grant for \$15,000 with a \$1,500 match. Upshur County ESD 1 will reimburse the \$1,500 match.

Councilmember Foster made a motion to approve the budget amendment for this grant; seconded by Councilmember Clark. Motion carried 7-0.

X. CONSIDERATION of budget amendment for Fire Department Refrigerators

Chief Crowell said the 3<sup>rd</sup> shift refrigerator quit working and they decided to replace all 3 of them so they would match. They were purchased out of the "donation fund". He said they had already purchased the refrigerators and after the fact found out that it needed to be approved.

City Manager Tow explained that our auditors questioned purchases with the "donation fund" after the approximately \$7,000 spent on radios and equipment for the new truck. There needs to be differentiation made between grant funds and donations into that fund. Councilmember Flanagan asked if it would still be used for Fire Department expenses and Mr. Tow said it would.

Councilmember Flanagan made a motion to approve the budget amendment for replacing the fire department refrigerators; seconded by Mayor Pro-tem Anderson. Motion carried 7-0.

XI. CONSIDERATION of AF Grant for SCBA equipment

Chief Crowell started by thanking Suzanne Bardwell, Christian Allen, Amanda Hill and Judy Van Houten for their help in getting this grant submitted. He said it could be 6 months or longer before the grant is awarded. Our air packs are old and finding replacement parts for them is difficult. We have 23 cylinders that expire in 2021. There is a \$8,795 match required. He can request an additional \$1,000 reimbursement from Upshur County ESD 1, which would leave the match at \$7,795.

Councilmember Flanagan asked where the money would come from for the match. Ms. Hill said it would, for the most part, come from reserves.

Councilmember Alexander made a motion to approve the \$8,795 match on this grant; seconded by Councilmember Foster. Motion carried 7-0.

XII. CONSIDERATION of ETCOG fire department grant for radios

Chief Crowell said this has already been addressed and approved by Council. He is asking for \$98,523 to purchase 30 portable and 6 mobile units. This will be at no cost to the City.

No action taken on this – previously approved.

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XIII. PRESENTATION by Police Chief Freeman regarding DDACT

Police Chief Freeman gave handouts to Council and City Manager Tow. He and Michelle Cahal with ETCOG have worked to get the mapping done for this program. He explained the concept involved and how it will work in Gladewater. He said that at this time he is not implementing the program due to dealing with COVID-19. He is looking at some time later this year and will keep Council informed.

XIV. CONSIDERATION of appointing a Local Rabies Control Authority

City Manager Tow explained the requirement and indicated that it needs to be someone with the ability to enforce the law. He is recommending Chief Freeman as our Local Rabies Control Authority.

Mayor Pro-tem Anderson made a motion to appoint Chief Freeman; seconded by Councilmember Byrd. Motion carried 7-0.

XV. DISCUSSION of proposed ordinance regarding Game Rooms and Amusement Redemption Machines

Councilmember Alexander said that he and Chief Freeman have worked on this for the past couple of weeks. He first saw this as a presentation at TML and knows that other counties around us are enacting similar ordinances. Gregg County has a no-tolerance policy and Upshur County only allows the ones that were grandfathered in when the ordinance was passed. He would like to see this on the next regular council agenda for consideration.

City Clerk Van Houten said she will work with Councilmember Anderson, Chief Freeman and Code Enforcement Officer Al Harrison to get it put together in ordinance form for the next regular council meeting.

Mayor Shipp called for a recess at 7:35 p.m.

Mayor Shipp reconvened the meeting from recess at 7:42 p.m.

XVI. PRESENTATION/CONSIDERATION regarding Enterprise Fleet

Nick Hardwick with Enterprise Fleet introduced the idea of fleet management. He has been working with City Manager Tow and City Treasurer Hill to compile an accurate vehicle list. If this is approved he will begin working with the department heads on how they want their fleet structured moving forward. He said he is very conservative in his numbers. Enterprise Fleet evaluates resale values yearly.

Councilmember Foster said that his employer used Enterprise Fleet in the past and had a good experience with them.

Councilmember Byrd asked how long the contract would be. Mr. Hardwick said that Enterprise Fleet does not have a standard contract length.

Councilmember Flanagan asked where the proposed \$5,000 for this year would come from. Mr. Tow said it would come from reserves.

Ms. Hill explained that insurance costs will go up some with the newer vehicles. We currently have some with liability only. Newer vehicles will have full coverage. She will work with TML once the department heads have met with Enterprise Fleet and made their selections.

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Councilmember Flanagan made a motion to approve the Fleet Management proposal with a caveat not to exceed 10% increase on insurance costs or the numbers in the projection presented without additional consideration by Council; seconded by Councilmember Byrd. Motion carried 7-0.

A. SUPPLEMENTAL EMERGENCY AGENDA ITEM

A.1 DISCUSSION/CONSIDERATION of adopting an ordinance ordering postponement of the May 2, 2020 General Election for the purpose of electing persons to the Offices of Mayor Place 1, Councilmember Place 2 and Councilmember Place 3 to the November 3, 2020 Uniform Election Date; and take appropriate action

Mayor Shipp said that he will abstain from discussion and/or voting as he is up for re-election. Councilmember Alexander said that he will abstain for the same reason.

Councilmember Foster said that we have an older voting population and we need to consider their health and safety.

Councilmember Flanagan said that we need to be fair and reasonable and feels that postponing the election is the right choice.

Councilmember Byrd said that we have to take care of our citizens.

Councilmember Flanagan made a motion to approve the ordinance to postpone the May 2, 2020 General Election to November 3, 2020; seconded by Councilmember Clark. Motion carried 5-0-2 with Shipp and Alexander abstaining.

XVII. ADJOURN

Councilmember Foster made a motion to adjourn at 9:16 p.m.; seconded by Councilmember Byrd. Motion carried and adjourned by consensus.

ATTEST:

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J.D. SHIPP, MAYOR

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JUDY VAN HOUTEN, CITY CLERK

CITY OF GLADEWATER  
CITY COUNCIL SPECIAL SESSION  
VIA ZOOM VIDEO/TELEPHONE CONFERENCE  
MINUTES  
MARCH 31, 2020  
6:00 P.M.

COUNCIL MEMBER: Mayor J.D. Shipp

COUNCIL MEMBERS PRESENT VIA ZOOM VIDEO CONFERENCE: Mayor Pro-tem Elijah "Sonny" Anderson, Farrell Alexander, Brandy Flanagan, Nick Foster, Karla Byrd, Kevin Clark

STAFF PRESENT VIA ZOOM VIDEO CONFERENCE: Judy Van Houten

STAFF PRESENT VIA ZOOM TELEPHONE CONFERENCE: Ricky Tow, Amanda Hill

SUPPORT STAFF PRESENT: Christian Allen, Kathleen Allen

NEWS MEDIA PRESENT: Jim Bardwell with Gladewater Mirror

GUESTS PRESENT VIA ZOOM TELEPHONE CONFERENCE: Margo Bell

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- I. CALL TO ORDER – Mayor Shipp called the meeting to order at 6:03 p.m. and asked City Clerk Van Houten to call roll. Present – Mayor Shipp, Mayor Pro-tem Anderson, Councilmember Alexander, Councilmember Flanagan, Councilmember Foster, Councilmember Byrd, and Councilmember Clark.
  - a) Invocation – Mayor Pro-tem Anderson
  - b) Pledge – Councilmember Byrd

II. CITIZENS COMMENTS

None.

III. DISCUSSION/CONSIDERATION of resolution to extend the Mayoral Local Disaster Declaration

Mayor Shipp gave a brief update on the ongoing COVID-19 situation. He assured those watching that the reason for the disaster declaration was not to alarm or cause panic but so that the City would be eligible for federal funds if/when the need arises. He thanked Gregg County Judge Bill Stoudt and Kilgore Mayor \_\_\_\_\_ for the continued "team effort" in progressing thru these unprecedented times. He said that we will make it thru and be stronger in the end because we are Gladewater.

Mayor Shipp opened the floor up to any Councilmembers who wished to discuss the extension further. There were no comments. He then asked for a motion on the disaster declaration extension.

Councilmember Alexander made a motion to approve the resolution extending the Mayoral Local Disaster Declaration; seconded by Mayor Pro-tem Anderson. Mayor Shipp asked City Clerk Van Houten to take a roll-call vote. Those in favor: Shipp, Anderson, Alexander, Flanagan, Foster, Byrd, and Clark. None opposed. Motion passed 7-0.

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IV. ADJOURN

Mayor Shipp asked for a motion to adjourn. Councilmember Flanagan made a motion to adjourn at 6:11 p.m.; seconded by Councilmember Clark. Mayor Shipp asked City Clerk Van Houten to take a roll-call vote. Those in favor: Shipp, Anderson, Alexander, Flanagan, Foster, Byrd, and Clark. None opposed. Motion passed 7-0 and meeting adjourned.

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J.D. SHIPP, MAYOR

ATTEST:

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JUDY VAN HOUTEN, CITY CLERK

## MEMO

Date: April 13, 2020  
To: Mayor and City Council  
From: Amanda Hill, City Treasurer  
Re: Quarterly Investment Report

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In accordance with our Investment Policy, I respectfully submit the following Investment Report for the quarter ending March 31, 2020. This report reflects account activity as required by the Public Funds Investment Act.

Although checking accounts are not considered investments, they are included on this report for your information. According to the terms of our Depository Agreement, City National Bank pays us an interest rate equal to Texpool+.1%. They have been issued a letter of credit for \$1,500,000 from Federal Home Loan Bank of Dallas for our deposits. This quarter, the average rate on collected deposits was 1.6%.

Texpool and LOGIC hold the remainder of our investments. It should be noted that all funds deposited with these investment pools are guaranteed by the State of Texas and are available for withdrawal the next business day. Investments in Texpool and LOGIC always have a cost-to-market ratio of 1.00. The average yield for Texpool this quarter was 1.39%. The average yield for LOGIC this quarter was 1.66%.



**INVESTMENTS**  
**FQE 3/31/2020**

	BEGINNING BALANCE	CREDITS	DEBITS	ENDING BALANCE
<b>TEXPOOL ACCOUNTS</b>				
Airport	\$ 491.36		\$ 1.66	\$ 493.02
Enterprise Fund	\$ 2,431.44	\$ -	\$ 8.63	\$ 2,440.07
General Fund	\$ 22,674.31	\$ -	\$ 78.74	\$ 22,753.05
Interest & Redemption	\$ 1,595.94	\$ -	\$ 5.58	\$ 1,601.52
Water Meter Deposits	\$ 38,080.92	\$ -	\$ 132.19	\$ 38,213.11
Interest & Sinking	\$ 27,659.99	\$ -	\$ 96.07	\$ 27,756.06
Cemetery	\$ 2,542.14	\$ -	\$ 8.77	\$ 2,550.91
<b>TOTAL TEXPOOL</b>	<b>\$ 95,476.10</b>	<b>\$ -</b>	<b>\$ 331.64</b>	<b>\$ 95,807.74</b>
<b>LOGIC ACCOUNTS</b>				
General Fund	\$ 2,684,023.96	\$ -	\$ 411,302.09	\$ 3,095,326.05
Enterprise Fund	\$ 229,228.59	\$ 50,000.00	\$ 911.32	\$ 180,139.91
Interest & Sinking	\$ 581,659.07	\$ -	\$ 202,758.50	\$ 784,417.57
Interest & Redemption	\$ 4,893.83	\$ 1,550.00	\$ 20.83	\$ 3,364.66
Airport	\$ 101,027.39	\$ -	\$ 418.54	\$ 101,445.93
Cemetery	\$ 71,467.39	\$ -	\$ 296.10	\$ 71,763.49
TWDB Certificate Proceeds	\$ 2,250.90	\$ 623,215.83	\$ 2,327,160.63	\$ 1,706,195.70
Ballpark	\$ 105,476.00			
<b>TOTAL LOGIC</b>	<b>\$ 3,780,027.13</b>	<b>\$ 674,765.83</b>	<b>\$ 2,942,868.01</b>	<b>\$ 5,942,653.31</b>
<b>TOTAL INVESTMENT ACCOUNTS</b>	<b>\$ 3,875,503.23</b>	<b>\$ 674,765.83</b>	<b>\$ 2,943,199.65</b>	<b>\$ 6,038,461.05</b>
<b>AUSTIN BANK</b>				
Consolidated Fund	\$ 64,796.82	\$ 68,179.34	\$ 3,400.01	\$ 17.49
<b>CITY NATIONAL BANK</b>				
Consolidated Fund	\$ 1,037,317.26	\$ 5,909,085.61	\$ 5,554,452.88	\$ 682,684.53
<b>TOTAL CASH</b>	<b>\$ 4,977,617.31</b>			<b>\$ 6,721,163.07</b>
<b>INTEREST EARNED FQE 3/31/2020</b>				
<b>TEXPOOL</b>			\$ 331.64	
<b>LOGIC</b>			\$ 19,303.01	
<b>CHECKING ACCOUNTS</b>			\$ 4,938.25	
<b>TOTAL INTEREST EARNED</b>			<b>\$ 24,572.90</b>	

  
AMANDA HILL, CITY TREASURER

  
RICKY TOW, CITY MANAGER

**CITY OF GLADEWATER, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

## Introductory Section

City of Gladewater, Texas  
Annual Financial Report  
For The Year Ended September 30, 2019

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# **CITY OF GLADEWATER, TEXAS**

## **LIST OF PRINCIPAL OFFICIALS**

**SEPTEMBER 30, 2019**

### **Elected Officials**

<b>Name</b>	<b>Office</b>
J.D. Shipp	Mayor
Elijah Anderson	Mayor Pro-Tem
Farrell Alexander	Councilmember
Brandy Flanagan	Councilmember
Nick Foster	Councilmember
Karla Byrd	Councilmember
Kevin Clark	Councilmember

### **Appointed Officials**

<b>Name</b>	<b>Position</b>
Ricky Tow	City Manager
Amanda Hill	City Treasurer
Judy Van Houten	City Secretary

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## Financial Section

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# 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

To the Mayor and City Council  
City of Gladewater, Texas  
519 E. Broadway  
Gladewater, Texas 75647

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gladewater, Texas ("the City") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

#### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Gladewater Economic Development Corporation (GEDCO), which represent four percent, eight percent, and four percent, respectively, of the assets, net position and revenues of the City of Gladewater, Texas. Those statements were audited by other auditors whose report has been furnished to us and, in our opinion, insofar as it relates to the amounts included for Gladewater Economic Development Corporation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

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

## Other Matters

### *Required Supplementary Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2020 on our consideration of City of Gladewater, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Gladewater, Texas' internal control over financial reporting and compliance.

*Karen A. Jacks & Associates, P.C.*

Karen A. Jacks & Associates, P.C.  
Longview, Texas  
April 10, 2020

## **CITY OF GLADEWATER, TEXAS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS For Fiscal Year Ending September 30, 2019**

As management of the City of Gladewater, we offer readers of the City's financial statements this narrative and analysis of the financial activities for the fiscal year ended September 30, 2019. This annual audit reflects the changes prescribed by Governmental Accounting Standards Board (GASB) Statement 34 – Basic Financial Statements and Management's Discussion and Analysis.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 19-21 provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 22. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

#### **REPORTING THE CITY AS A WHOLE**

##### **The Statement of Net Position and the Statement of Activities**

Our analysis of the City as a whole begins on page 19. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position (the difference between assets and liabilities) as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities**—Most of the City's basic services are reported here, including the police, fire, general administration, streets and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type activities**—The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer systems are reported here.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

Our analysis of the City's major funds begins on page 22. The fund financial statements begin on page 22 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds—governmental and proprietary—use different accounting approaches.

- **Governmental funds**—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.
- **Proprietary funds**—When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

### THE CITY AS A WHOLE

For the year ended September 30, 2019, net position changed as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Beginning net position	8,383,813	6,084,741	14,468,554
Change in net position	566,692	135,362	702,054
Ending net position	8,950,505	6,220,103	15,170,608

This reflects an increase of 6.75 percent for governmental activities and a 2.2 percent increase for business-type activities.

### Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

General government	Building permits, occupational licenses, plumbing and electrical inspections and certificates of occupancy.
Police	Fines and grants categorized as operating grants for law enforcement.
Fire	Contractual agreements for fire protection services outside the City limits, and grants classified as operating grants for fire protection services.
Airport	Hangar lease charges and grant funds for repairs and improvements.
Cemetery	Lot sales and permit fees.
Parks	Boat ramp permits and pavilion rental.
Main Street	Donations and grant funds for revitalization of downtown Gladewater.

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

### **Business-type Activities**

In the Water and Sewer Fund, debt service and operational expenses were slightly less than revenues, resulting in a \$135,352 increase in net position. Costly repairs to the aging infrastructure continue to drive up the cost of operations.

Water and sewer rates were not adjusted in Fiscal Year 2019, however, disconnect and reconnect rates were increased. This was done in an attempt to entice customers to pay on time, reducing the labor cost required to manage these accounts, perform disconnection and reconnection services as well as collect on them. This has been highly effective, reducing the number of monthly disconnects from approximately 250 to less than 100 currently.

## THE CITY'S FUNDS

The following schedule presents a summary of general, special revenue, and debt service fund revenues and expenditures for the fiscal year ended September 30, 2019, and the amount and percentage of increases and decreases in relation to the prior year.

2019 REVENUES				
			Increase (Decrease) From FYE 18	Percent Increase (Decrease)
	FYE 19	% of TOTAL		
Property taxes	\$ 2,343,911	44.8%	\$ (40,147)	-2%
Penalty and interest	\$ 40,882	0.8%	\$ (13,163)	-24%
Sales Tax	\$ 734,798	14.0%	\$ 33,938	5%
Franchise taxes	\$ 289,982	5.5%	\$ 11,682	4%
Fines and forfeitures	\$ 317,427	6.1%	\$ 51,002	19%
Licenses and permits	\$ 51,094	1.0%	\$ 12,999	34%
Sanitation fees, net	\$ 113,738	2.2%	\$ (4,161)	-4%
Grants	\$ 847,427	16.2%	\$ 623,168	278%
Fire and ambulance contracts	\$ 44,000	0.8%	\$ (1,250)	-3%
Investment income	\$ 89,569	1.7%	\$ 22,687	34%
Cemetery	\$ 26,507	0.5%	\$ 7,274	38%
Airport	\$ 49,545	0.9%	\$ 14,708	42%
Rents	\$ 51,602	1.0%	\$ 5,617	12%
Services to other governments	\$ 67,535	1.3%	\$ (46,378)	-41%
Library	\$ 15,010	0.3%	\$ 587	4%
Miscellaneous	\$ 150,898	2.9%	\$ 95,226	171%
TOTAL REVENUES	\$ 5,233,925	100.0%	\$ 773,789	17%

Fiscal year 2019 Revenues decreased by three percent when disregarding the increase in grant funding received by the City. The grant funding increase was the result of a grant for resurfacing the runways at the municipal airport. In the next section, you will see the offsetting expenditure in the Airport line.

The largest revenue decrease, being in the Services to Other Governments line item at 41%, is from difficulty in filling an open School Resource Officer position. This is offset by a decrease in payroll in the Police Department expenses. The position has now been filled. The 24% decrease in penalty and interest income is the most concerning. The City has contracted with the Counties to perform property tax collection with the hope of increasing the amount of delinquent accounts being collected.

<b>2019 EXPENDITURES</b>			<b>Increase (Decrease)</b>	<b>Percent Increase (Decrease)</b>
	<b>FYE 19</b>	<b>% of TOTAL</b>	<b>From FYE 18</b>	
<b>Legislative</b>	\$ 27,343	0.6%	\$ (1,976)	-6.7%
<b>Administrative</b>	\$ 150,004	3.1%	\$ 7,127	5.0%
<b>Finance</b>	\$ 224,003	4.7%	\$ 57,048	34.2%
<b>Tax</b>	\$ 60,157	1.3%	\$ (5,317)	-8.1%
<b>Fire</b>	\$ 816,322	17.1%	\$ 182,496	28.8%
<b>Police</b>	\$ 1,152,688	24.1%	\$ 59,150	5.4%
<b>Animal Control</b>	\$ 29,233	0.6%	\$ 7,887	36.9%
<b>Court</b>	\$ 84,516	1.8%	\$ (17,302)	-17.0%
<b>Main Street</b>	\$ 11,560	0.2%	\$ (54,450)	-82.5%
<b>Streets &amp; Parks</b>	\$ 338,007	7.1%	\$ (73,608)	-17.9%
<b>Code Enforcement</b>	\$ 117,535	2.5%	\$ (20,165)	-14.6%
<b>Municipal buildings</b>	\$ 112,203	2.4%	\$ 32,394	40.6%
<b>Library</b>	\$ 89,096	1.9%	\$ 11,910	15.4%
<b>Cemetery</b>	\$ 33,316	0.7%	\$ 31,725	1994.0%
<b>Airport</b>	\$ 788,708	16.5%	\$ 695,785	748.8%
<b>Non-Departmental</b>	\$ 288,592	6.0%	\$ (356,881)	-55.3%
<b>Capital Outlay</b>	\$ 69,746	1.5%	\$ 11,528	19.8%
<b>Debt service</b>	\$ 381,196	8.0%	\$ (5,330)	-1.4%
<b>TOTAL EXPENDITURES</b>	\$ 4,774,225	100.0%	\$ 562,021	13.3%

Overall, the data shows an increase of over 13% in expenditures for fiscal year 2019. However, both the Cemetery and Airport show large increases in expenditures as a percentage. In 2019, the contract to mow the Cemetery was included in this line item, skewing the percentage drastically upward. At the Airport, re-surfacing of the runways was completed in 2019. This large expenditure is offset by the large increase in the grant revenue that was discussed above. When these two anomalies are removed, there was actually a 6.2% decrease in expenditures.

Historically, all payroll benefits were included in the Non-Departmental category. In an effort to more accurately depict what each department costs, the decision was made to account for health insurance, life insurance and retirement in each department's budget. This caused the 55% decrease in expenses seen above in the Non-Departmental line item. Those expenses are reflected as increases to the various department totals.

In making tough budget decisions, the Main Street program was drastically reduced. The Director position was eliminated and \$5,000 total was given to the program for minor events. In the 2020 budget, the program has been eliminated entirely.

## GENERAL FUND BUDGETARY HIGHLIGHTS

A tax rate of \$.749999 per \$100 of value was adopted, which is slightly higher than the effective tax rate of \$.742901/\$100. The adopted tax rate has remained the same for several years. The tax rate breaks down as follows: \$.630989 for maintenance and operations and \$.119010 for debt service. The final ad valorem certified values increased from \$321,994,536 to \$323,878,243.

### Capital Assets

At the end of fiscal year 2019, prior to depreciation, the City had approximately \$40 million invested in capital assets including police and fire equipment, buildings, park facilities, roads, and water and sewer lines. This represents a net increase of just over 5 percent over last year.

<b>2019 CAPITAL ASSETS</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>FYE 18</b>	<b>FYE 19</b>	<b>FYE 18</b>	<b>FYE 19</b>	<b>FYE 18</b>	<b>FYE 19</b>
Land	\$ 407,494	\$ 407,494	\$ 73,760	\$ 73,760	\$ 481,254	\$ 481,254
Buildings	\$ 1,150,376	\$ 1,150,376	\$ 106,963	\$ 106,963	\$ 1,257,339	\$ 1,257,339
Improvements	\$ 10,886,587	\$ 11,751,739	\$ -	\$ -	\$ 10,886,587	\$ 11,751,739
Vehicles & Equipment	\$ 2,033,956	\$ 1,975,394	\$ 565,904	\$ 655,634	\$ 2,599,860	\$ 2,631,028
Water & sewer system	\$ -	\$ -	\$ 22,462,525	\$ 23,162,090	\$ 22,462,525	\$ 23,162,090
Construction in progress	\$ 91,647	\$ -	\$ 438,967	\$ 885,989	\$ 530,614	\$ 885,989
Less accumulated depreciation	\$ (5,022,701)	\$ (5,271,403)	\$ (10,631,348)	\$ (11,066,898)	\$ (15,654,049)	\$ (16,338,301)
<b>TOTAL NET</b>	<b>\$ 9,547,359</b>	<b>\$ 10,013,600</b>	<b>\$ 13,016,771</b>	<b>\$ 13,817,538</b>	<b>\$ 22,564,130</b>	<b>\$ 23,831,138</b>

### Debt

At year-end, the City had \$15,996,682 in outstanding debt and accrual for compensated absences, compared to \$16,598,696 last year. This is a decrease of 3.5% as shown in the following table.

<b>2019 DEBT</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>
Certificates of Obligation	\$ 3,445,000	\$ 3,290,000	\$ 6,995,000	\$ 6,785,000	\$ 10,440,000	\$ 10,075,000
Refunding Bonds	\$ 162,350	\$ 123,250	\$ 792,650	\$ 5,186,750	\$ 955,000	\$ 5,310,000
Revenue Bonds	\$ -	\$ -	\$ 4,577,000	\$ -	\$ 4,577,000	\$ -
Installment Loan	\$ 352,716	\$ 292,037	\$ -	\$ -	\$ 352,716	\$ 292,037
Unamortized Bond Premium	\$ 89,209	\$ 81,826	\$ 65,273	\$ 121,875	\$ 154,482	\$ 203,701
Accrual for compensated absences	\$ 119,498	\$ 115,944	\$ -	\$ -	\$ 119,498	\$ 115,944
<b>TOTALS</b>	<b>\$ 4,168,773</b>	<b>\$ 3,903,057</b>	<b>\$ 12,429,923</b>	<b>\$ 12,093,625</b>	<b>\$ 16,598,696</b>	<b>\$ 15,996,682</b>

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

The local economy is largely based on the oil and gas industry. In the past year, we have seen a sluggish rebound and oil and gas prices have again dropped, with many area companies issuing layoffs. Gladewater's sales tax revenue is impacted to a greater degree than other cities that are more diversified with a variety of retail establishments.



As a result, the adopted budget for the fiscal year 2020 is again lean. A conservative approach was taken with revenue projections and the belt was further tightened in virtually every department. A tax rate of .749999 was adopted, which is the same rate as fiscal year 2019. New legislation concerning tax rates will likely negatively affect the City's ability to raise the rate in the future. Many Cities took the opportunity to raise their rate to the maximum level before the legislation takes effect. Gladewater chose to tighten expenses rather than burden its citizens with a greater obligation. As costs continue to rise, there may come a time in the near future when we have no choice but to adopt the effective tax rate.

In an effort to curb turnover and retain quality employees, each department was given a 2% salary increase. The department heads were then responsible for rewarding employees with increases based on merit. In early fiscal year 2019, there was a complete turnover of law enforcement officers. A new Chief was hired in February 2019 and the department has seen a remarkable turnaround in statistics, morale, and income from citations.

Both the Police and Fire Departments have made scheduling changes to reduce the amount of overtime being paid. Varying schedules are being considered in other departments as well in an effort to better serve our citizens and reduce overtime budgets. In 2020, The General Fund has been budgeted a transfer to the Utility Fund. If this trend continues, an increase to water and sewer rates may be necessary.

The Airport Fund remains similar to prior years with a \$10,000 transfer to General Fund for administrative costs and maintenance. The Cemetery Fund will be contributing \$15,000 and the Ballpark will be contributing \$10,000 to General Fund for administrative costs.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the city's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 519 E. Broadway, Gladewater, Texas or call (903) 845-2196.

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## Basic Financial Statements

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**CITY OF GLADEWATER, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2019**

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
<b>ASSETS:</b>				
Cash	\$ 325,027	\$ 521,395	\$ 846,422	\$ 435,724
Temporary Investments	2,707,594	75,326	2,782,920	--
Restricted Temporary Investments	--	4,097,843	4,097,843	--
Receivables:				
Taxes	420,725	--	420,725	--
Accounts	116,669	226,183	342,852	--
Grants and Other	--	27,371	27,371	--
Inventory	--	73,950	73,950	--
Prepaid Expenses	29,114	--	29,114	--
Notes Receivable	--	--	--	313,611
Capital Assets (Net of Accumulated Depreciation)	10,013,600	13,817,538	23,831,138	567,589
Total Assets	<u>13,612,729</u>	<u>18,839,606</u>	<u>32,452,335</u>	<u>1,316,924</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred Loss on Defeasance of Debt	1,789	84,110	85,899	--
Deferred Resource Outflow Related to Pensions	394,738	112,400	507,138	--
Deferred Resource Outflow Related to OPEB	575	162	737	--
Total Deferred Outflows of Resources	<u>397,102</u>	<u>196,672</u>	<u>593,774</u>	<u>--</u>
<b>LIABILITIES:</b>				
Accounts Payable	127,459	217,483	344,942	838
Accrued Expenses	9,948	--	9,948	--
Accrued Wages	63,298	16,118	79,416	--
Accrual for Compensated Absences	120,981	21,394	142,375	--
Accrued Interest Payable	16,128	23,073	39,201	--
Customer Deposits	--	178,718	178,718	--
Noncurrent Liabilities:				
Due Within One Year	204,949	485,050	689,999	--
Due in More Than One Year	3,582,164	11,608,575	15,190,739	--
Net Pension Liability	721,656	205,489	927,145	--
Total OPEB Liability	107,801	30,406	138,207	--
Total Liabilities	<u>4,954,384</u>	<u>12,786,306</u>	<u>17,740,690</u>	<u>838</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred Resources Inflow Related to Pensions	100,172	28,524	128,696	--
Deferred Resources Inflow Related to OPEB	4,770	1,345	6,115	--
Total Deferred Inflows of Resources	<u>104,942</u>	<u>29,869</u>	<u>134,811</u>	<u>--</u>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	6,228,276	5,905,866	12,134,142	567,589
Restricted For:				
Debt Service	635,789	81,842	717,631	--
Economic Development	--	--	--	748,497
Other Purposes	35,151	--	35,151	--
Unrestricted	2,051,289	232,395	2,283,684	--
Total Net Position	<u>\$ 8,950,505</u>	<u>\$ 6,220,103</u>	<u>\$ 15,170,608</u>	<u>\$ 1,316,086</u>

The accompanying notes are an integral part of this statement.

**CITY OF GLADEWATER, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
<b>Governmental Activities:</b>				
Legislative	\$ 27,343	\$ --	\$ --	\$ --
Administrative	201,340	--	--	--
Finance	262,165	--	--	--
Tax	60,157	--	--	--
Fire	1,058,547	44,040	27,664	--
Police	1,494,741	390,243	8,330	--
Animal Control	29,233	--	--	--
Municipal Court	101,319	--	--	--
Main Street	11,560	--	--	--
Streets and Parks	483,498	13,315	112,001	--
Code Enforcement	147,916	64,373	3,650	--
Municipal Buildings	186,691	38,287	--	--
Library	107,704	--	--	--
Cemetery	33,470	26,507	--	--
Airport	82,343	49,545	1,359	696,154
Non-departmental	288,592	--	--	--
Capital Outlay	12,753	--	--	--
Debt Service -Interest	118,183	--	--	--
Debt Service -Issuance Costs and Fees	70	--	--	--
Total Governmental Activities	<u>4,707,625</u>	<u>626,310</u>	<u>153,004</u>	<u>696,154</u>
<b>Business-type Activities:</b>				
Water and Sewer	2,694,293	2,472,180	10,000	255,156
Total Business-type Activities	<u>2,694,293</u>	<u>2,472,180</u>	<u>10,000</u>	<u>255,156</u>
Total Primary Government	<u>\$ 7,401,918</u>	<u>\$ 3,098,490</u>	<u>\$ 163,004</u>	<u>\$ 951,310</u>
<b>COMPONENT UNIT:</b>				
Gladewater Economic Development Corporation	\$ 365,403	\$ --	\$ --	\$ --

**General Revenues:**

Property Taxes
Penalty and Interest
Sales Tax
Franchise Taxes
Sanitation Fees, net
Unrestricted Investment Earnings
Gain (Loss) on Disposition of Assets
Miscellaneous
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>	<u>Component Unit</u>
\$ (27,343)		\$ (27,343)	
(201,340)		(201,340)	
(262,165)		(262,165)	
(60,157)		(60,157)	
(986,843)		(986,843)	
(1,096,168)		(1,096,168)	
(29,233)		(29,233)	
(101,319)		(101,319)	
(11,560)		(11,560)	
(358,182)		(358,182)	
(79,893)		(79,893)	
(148,404)		(148,404)	
(107,704)		(107,704)	
(6,963)		(6,963)	
664,715		664,715	
(288,592)		(288,592)	
(12,753)		(12,753)	
(118,183)		(118,183)	
(70)		(70)	
<u>(3,232,157)</u>		<u>(3,232,157)</u>	
--	\$ 43,043	43,043	
--	43,043	43,043	
<u>(3,232,157)</u>	<u>43,043</u>	<u>(3,189,114)</u>	
			\$ (365,403)
2,371,566	--	2,371,566	--
40,882	--	40,882	--
734,798	--	734,798	357,891
289,982	--	289,982	--
113,738	--	113,738	--
89,569	94,864	184,433	11,102
8,457	(2,545)	5,912	(19,937)
149,857	--	149,857	14,300
<u>3,798,849</u>	<u>92,319</u>	<u>3,891,168</u>	<u>363,356</u>
566,692	135,362	702,054	(2,047)
8,383,813	6,084,741	14,468,554	1,318,133
<u>\$ 8,950,505</u>	<u>\$ 6,220,103</u>	<u>\$ 15,170,608</u>	<u>\$ 1,316,086</u>

**CITY OF GLADEWATER, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2019**

	General Fund	Municipal Airport Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND OTHER DEBITS:</b>				
Cash	\$ 210,147	\$ 40,196	\$ 74,683	\$ 325,026
Temporary Investments	1,926,494	101,032	680,068	2,707,594
Receivables:				
Taxes	379,846	--	40,879	420,725
Accounts	92,614	--	--	92,614
Prepaid Expenditures	29,114	--	--	29,114
<b>TOTAL ASSETS</b>	<b>\$ 2,638,215</b>	<b>\$ 141,228</b>	<b>\$ 795,630</b>	<b>\$ 3,575,073</b>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 123,734	\$ 425	\$ 3,300	\$ 127,459
Accrued Expenses	9,287	--	661	9,948
Accrued Wages	63,298	--	--	63,298
Accrual for Compensated Absences	5,037	--	--	5,037
<b>TOTAL LIABILITIES</b>	<b>201,356</b>	<b>425</b>	<b>3,961</b>	<b>205,742</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred Property Taxes	238,544	--	40,879	279,423
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>238,544</b>	<b>--</b>	<b>40,879</b>	<b>279,423</b>
<b>FUND BALANCES:</b>				
Nonspendable Fund Balance	29,114	--	--	29,114
Restricted Fund Balance	35,151	--	611,038	646,189
Committed Fund Balance	--	140,803	139,752	280,555
Unassigned Fund Balance	2,134,050	--	--	2,134,050
<b>TOTAL FUND BALANCE</b>	<b>2,198,315</b>	<b>140,803</b>	<b>750,790</b>	<b>3,089,908</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 2,638,215</b>	<b>\$ 141,228</b>	<b>\$ 795,630</b>	<b>\$ 3,575,073</b>

The accompanying notes are an integral part of this statement.



**CITY OF GLADEWATER, TEXAS**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019**

Total fund balances - governmental funds balance sheet	\$ 3,089,908
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	10,013,600
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	279,423
The loss on defeasance of debt is amortized in the statement of activities.	1,789
Payables for bond principal which are not due in the current period are not reported in the funds.	(3,413,250)
Payables for bond interest which are not due in the current period are not reported in the funds.	(16,128)
Payables for notes which are not due in the current period are not reported in the funds.	(292,037)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(115,944)
Premium on bonds is amortized in the statement of net position but is not reported in the funds.	(81,826)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	24,055
Recognition of the City's net pension liability is not reported in the funds.	(721,656)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(100,172)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	394,738
Recognition of the City's total OPEB liability is not reported in the funds.	(107,801)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(4,770)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	575
Rounding difference	1
Net position of governmental activities - Statement of Net Position	\$ <u>8,950,505</u>

The accompanying notes are an integral part of this statement.

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

	General Fund	Municipal Airport Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property Taxes	\$ 1,997,183	\$ --	\$ 346,728	\$ 2,343,911
Penalty and Interest	40,882	--	--	40,882
Sales Tax	734,798	--	--	734,798
Franchise Taxes	289,982	--	--	289,982
Fines and Forfeitures	317,427	--	--	317,427
Licenses and Permits	51,094	--	--	51,094
Sanitation Fees, Net	113,738	--	--	113,738
Grants	149,914	697,513	--	847,427
Fire and Ambulance Contracts	44,000	--	--	44,000
Investment Income	66,919	2,739	19,911	89,569
Cemetery Revenues	--	--	26,507	26,507
Airport Revenues	--	49,545	--	49,545
Rents	51,602	--	--	51,602
Services to Other Governments	67,535	--	--	67,535
Library Revenues	15,010	--	--	15,010
Miscellaneous	104,286	--	46,612	150,898
<b>TOTAL REVENUES</b>	<b>4,044,370</b>	<b>749,797</b>	<b>439,758</b>	<b>5,233,925</b>
<b>EXPENDITURES:</b>				
Legislative	27,343	--	--	27,343
Administrative	150,004	--	--	150,004
Finance	224,003	--	--	224,003
Tax	60,157	--	--	60,157
Fire	810,075	--	6,247	816,322
Police	1,150,056	--	2,632	1,152,688
Animal Control	29,233	--	--	29,233
Municipal Court	84,516	--	--	84,516
Main Street	11,560	--	--	11,560
Streets and Parks	338,007	--	--	338,007
Code Enforcement	117,535	--	--	117,535
Municipal Buildings	112,203	--	--	112,203
Library	89,096	--	--	89,096
Cemetery	--	--	33,316	33,316
Airport	--	788,708	--	788,708
Non-departmental	288,592	--	--	288,592
Capital Outlay	69,746	--	--	69,746
Debt Service - Principal	60,679	--	194,100	254,779
Debt Service - Interest	9,409	--	116,938	126,347
Debt Service - Issuance Costs and Fees	--	--	70	70
<b>TOTAL EXPENDITURES</b>	<b>3,632,214</b>	<b>788,708</b>	<b>353,303</b>	<b>4,774,225</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>412,156</b>	<b>(38,911)</b>	<b>86,455</b>	<b>459,700</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In (Out) - Net	35,000	(10,000)	(25,000)	--
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>35,000</b>	<b>(10,000)</b>	<b>(25,000)</b>	<b>--</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>447,156</b>	<b>(48,911)</b>	<b>61,455</b>	<b>459,700</b>
<b>FUND BALANCE, BEGINNING</b>	<b>1,751,159</b>	<b>189,714</b>	<b>689,335</b>	<b>2,630,208</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 2,198,315</b>	<b>\$ 140,803</b>	<b>\$ 750,790</b>	<b>\$ 3,089,908</b>

The accompanying notes are an integral part of this statement.

**CITY OF GLADEWATER, 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, 2019**

Net change in fund balances - total governmental funds \$ 459,700

Amounts reported for governmental activities in the Statement of Activities  
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	830,498
The depreciation of capital assets used in governmental activities is not reported in the funds.	(371,672)
The gain or loss on the sale of capital assets is not reported in the funds.	8,457
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(1,041)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	27,654
The loss on defeasance of debt is amortized in the SOA.	(622)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	194,100
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	60,679
(Increase) decrease in accrued interest from beginning of period to end of period.	1,403
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	3,554
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.	5,321
Bond premiums are reported in the funds but not in the SOA.	7,383
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	117,532
The City's unrecognized deferred inflows and outflows for the pension plan were amortized.	(5,803)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(760,270)
OPEB contributions made after the measurement date but in current FY were de-expended & reduced TOL.	575
The City's unrecognized deferred inflows and outflows for the OPEB plan were amortized.	663
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(11,420)
Rounding difference	1

Change in net position of governmental activities - Statement of Activities \$ 566,692

The accompanying notes are an integral part of this statement.

**CITY OF GLADEWATER, TEXAS**  
**STATEMENT OF NET POSITION**  
**ENTERPRISE FUNDS**  
**SEPTEMBER 30, 2019**

	Enterprise Fund Water and Sewer Fund
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 521,395
Temporary Investments	75,326
Restricted Temporary Investments	4,097,843
Inventory	73,950
Receivables:	
Accounts	226,183
Grants and Other	27,371
Noncurrent Assets:	
Capital Assets, net	13,817,538
TOTAL ASSETS	<u>18,839,606</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred Loss on Defeasance of Debt	84,110
Deferred Resource Outflow Related to Pensions	112,400
Deferred Resource Outflow Related to OPEB	162
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 196,672</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	\$ 217,483
Accrued Wages	16,118
Accrual for Compensated Absences	21,394
Accrued Interest Payable	23,073
Customer Deposits	178,718
Noncurrent Liabilities:	
Due Within One Year	485,050
Due in More Than One Year	11,608,575
Net Pension Liability	205,489
Total OPEB Liability	30,406
TOTAL LIABILITIES	<u>12,786,306</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred Resource Inflow Related to Pensions	28,524
Deferred Resource Inflow Related to OPEB	1,345
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>29,869</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	5,905,866
Restricted for Debt Service	81,842
Unrestricted	232,395
TOTAL NET POSITION	<u>\$ 6,220,103</u>

**CITY OF GLADEWATER, TEXAS**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Enterprise Fund Water and Sewer Fund
<b>OPERATING REVENUES:</b>	
Water Sales and Sewer Service	\$ 2,287,540
Water Taps	3,050
Sewer Taps	1,900
Penalties	134,336
Miscellaneous	45,354
<b>TOTAL OPERATING REVENUES</b>	<b>2,472,180</b>
<b>OPERATING EXPENSES:</b>	
Water Office	136,098
Utility Personnel	620,091
Water Utilities	457,148
Wastewater Utilities	160,250
Non-Departmental	520,262
Depreciation	410,576
<b>TOTAL OPERATING EXPENSES</b>	<b>2,304,425</b>
<b>OPERATING INCOME</b>	<b>167,755</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Investment Proceeds	94,864
Grant Proceeds	265,156
Gain (Loss) on Sale of Assets	(2,545)
Debt Service - Interest and Fees	(384,435)
Amortization Expense	(5,433)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(32,393)</b>
<b>CHANGE IN NET POSITION</b>	<b>135,362</b>
<b>TOTAL NET POSITION - BEGINNING</b>	<b>6,084,741</b>
<b>TOTAL NET POSITION - ENDING</b>	<b>\$ 6,220,103</b>

The accompanying notes are an integral part of this statement.

**CITY OF GLADEWATER, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Enterprise Fund Water and Sewer Fund
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 2,471,722
Cash Payments to Employees for Services	(761,210)
Cash Payments to Other Suppliers for Goods and Services	(850,810)
Net Cash Provided (Used) by Operating Activities	<u>859,702</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
Transfers From (To) Other Funds	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Proceeds from Issuance of Long-term Debt	4,652,552
Payments to escrow agent for refunding	(4,584,069)
Principal and Interest Paid	(866,735)
Acquisition or Construction of Capital Assets	(1,213,888)
Grant Proceeds	244,685
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(1,767,455)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest and Dividends on Investments	94,864
Net Cash Provided (Used) for Investing Activities	<u>94,864</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(812,889)
Cash and Cash Equivalents at Beginning of Year	5,507,453
Cash and Cash Equivalents at End of Year	<u>\$ 4,694,564</u>
Cash	521,395
Temporary investments	75,326
Restricted temporary investments	4,097,843
Total Cash and Cash Equivalents	<u>\$ 4,694,564</u>
<b>Reconciliation of Operating Income to Net Cash</b>	
<b>Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ 167,755
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation	410,576
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(2,159)
Decrease (Increase) in Inventories	(2,827)
Increase (Decrease) in Accounts Payable	96,302
Increase (Decrease) in Accrued Wages Payable	4,405
Increase (Decrease) in Customer Deposits	1,701
Increase (Decrease) in Accrued Compensated Absences	(3,924)
Increase (Decrease) in Accrued Expenses	(359)
Increase (Decrease) in Pension and OPEB accounts	188,232
Total Adjustments	<u>281,371</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 859,702</u>

The accompanying notes are an integral part of this statement.

**CITY OF GLADEWATER, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**A. Summary of Significant Accounting Policies**

The combined financial statements of City of Gladewater, 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 City has one component unit. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Codification.

**2. Discretely Presented Component Unit**

Gladewater Economic Development Corporation (GEDCO) is a Texas nonprofit corporation organized for the purpose of benefitting and accomplishing public purposes of the City of Gladewater, Texas, by promoting, assisting, and enhancing economic development activities for the City. The board members are appointed by the City of Gladewater City Council. GEDCO is funded by a one-quarter percent sales tax levied on taxable sales within the City of Gladewater. This tax was enacted by popular vote in 1995 and may be repealed by popular vote. Corporate financial statements of GEDCO can be obtained directly from their administrative offices in Gladewater, Texas. GEDCO is reported in a separate column to emphasize that it is legally separate from the City.

**3. 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. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

**CITY OF GLADEWATER, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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 fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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.

**Municipal Airport Fund.** This fund is used to account for revenues received for the operation of the airport.

The City reports the following major enterprise fund:

**Water and Sewer Fund.** This fund operates the water distribution system, the sewage treatment plant, sewage pumping stations and collection systems.

**b. Measurement Focus, Basis of Accounting**

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

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



**CITY OF GLADEWATER, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**4. 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.

Allowances for uncollectible tax receivables within the General and Debt Service Funds 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, 2019 is \$93,141.

**c. Inventories**

Inventory in the enterprise fund consists of expendable supplies held for the City's use and is carried at cost, using the first-in, first-out method.

**d. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	50
Buildings	50
Building Improvements	20
Vehicles	8
Furniture & Equipment	5-10

**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. Compensated Absences**

Each full-time employee is entitled to 18 personal time off (PTO) days each calendar year, accrued on

**CITY OF GLADEWATER, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

the last payday of each month at the rate of 1.5 PTO Days per month. Employees with less than six months of service accumulate leave at .5 PTO days per month. A PTO day is equal to the number of hours worked in a normal shift for the position held. The employee is charged with personal time actually taken. Employees are paid for such accumulation of leave at separation from service if they are in good standing.

g. **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 benefitting 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.

h. **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 expenses) or legally required to remain intact (such as notes receivable or prepaid expenditures).

**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 done through a formal resolution. 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.

In the general fund, the City has a policy to maintain a minimum of two months of operating expenditures in unassigned fund balance. The City was in compliance with this policy at September 30, 2019.

i. **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles

**CITY OF GLADEWATER, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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.

j. **Deferred Outflows and Inflows of Resources**

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

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

k. **Net Position Flow Assumptions**

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

l. **Fund Balance Flow Assumptions**

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

5. **Pensions and Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City'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.

Information regarding the City's Total Pension Liability and Total OPEB Liability is obtained from TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

**CITY OF GLADEWATER, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**B. 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, 2019, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$846,422 and the bank balance was \$849,616. The City's cash deposits at September 30, 2019 and during the year ended September 30, 2019, 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, 2019 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool	Avg 34 days	\$ 95,059
LOGIC	Avg 48 days	2,690,101
Federated Government Obligations Fund	Avg 33 days	4,095,603
Total Investments		<u>\$ 6,880,763</u>
Temporary Investments		\$ 2,782,920
Restricted Temporary Investments		4,097,843
Total Investments		<u>\$ 6,880,763</u>

**Analysis of Specific Deposit and Investment Risks:**

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

**a. Credit Risk**

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

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At September 30, 2019, 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&amp;P Rating</u>
TexPool	AAAm
LOGIC	AAAm
Federated Government Obligations Fund	AAAm

**b. Custodial Credit Risk**

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

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

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

**c. Concentration of Credit Risk**

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

**d. Interest Rate Risk**

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

**e. Foreign Currency Risk**

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

**Investment Accounting Policy**

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

**Public Funds Investment Pools**

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

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one

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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.

**TexPool**

The City invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool portfolios and are qualified to advise in respect to TexPool portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAm by Standards & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at [www.ttstc.org](http://www.ttstc.org).

**LOGIC**

The City invests in the Local Government Investment Cooperative (LOGIC), which is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC's governing body is a five-member board of directors comprised of employees, officers or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the co-administrators of LOGIC. The co-administrators of the day to day administration of LOGIC are First Southwest Company and J. P. Morgan Investment Management, Inc. LOGIC is rated at a AAA or equivalent rating from at least one nationally recognized rating agency and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC 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.

**C. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 407,494	\$ --	\$ --	\$ 407,494
Construction in progress	91,647	773,505	865,152	--
Total capital assets not being depreciated	499,141	773,505	865,152	407,494
Capital assets being depreciated:				
Buildings and improvements	1,150,376	--	--	1,150,376
Improvements other than buildings	10,886,587	865,152	--	11,751,739
Vehicles and equipment	2,033,956	80,758	139,320	1,975,394
Total capital assets being depreciated	14,070,919	945,910	139,320	14,877,509
Less accumulated depreciation for:				
Buildings and improvements	(563,920)	(23,008)	385	(587,313)
Improvements other than buildings	(2,913,928)	(206,608)	(957)	(3,119,579)
Vehicles and equipment	(1,544,853)	(142,056)	(122,398)	(1,564,511)
Total accumulated depreciation	(5,022,701)	(371,672)	(122,970)	(5,271,403)
Total capital assets being depreciated, net	9,048,218	574,238	16,350	9,606,106
Governmental activities capital assets, net	\$ 9,547,359	\$ 1,347,743	\$ 881,502	\$ 10,013,600

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	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 73,760	\$ --	\$ --	\$ 73,760
Construction in progress	438,967	1,213,888	766,866	885,989
Total capital assets not being depreciated	512,727	1,213,888	766,866	959,749
Capital assets being depreciated:				
Water and sewer system	22,462,525	766,866	67,301	23,162,090
Buildings	106,963	--	--	106,963
Vehicles and equipment	565,904	89,730	--	655,634
Total capital assets being depreciated	23,135,392	856,596	67,301	23,924,687
Less accumulated depreciation for:				
Water and sewer system	(10,090,555)	(375,629)	30,643	(10,496,827)
Buildings	(67,275)	(2,140)	--	(69,415)
Vehicles and equipment	(473,518)	(32,808)	(5,670)	(500,656)
Total accumulated depreciation	(10,631,348)	(410,577)	24,973	(11,066,898)
Total capital assets being depreciated, net	12,504,044	446,019	92,274	12,857,789
Business-type activities capital assets, net	\$ 13,016,771	\$ 1,659,907	\$ 859,140	\$ 13,817,538

Depreciation was charged to functions as follows:

Fire	\$ 48,901
Police	77,750
Streets	99,845
Code Enforcement	2,294
Municipal Buildings	74,488
Cemetery	154
Airport	67,140
Library	1,100
	<u>\$ 371,672</u>

**D. Interfund Balances and Activity**

**1. Transfers To and From Other Funds**

Transfers to and from other funds at September 30, 2019, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Municipal Airport Fund	General Fund	\$ 10,000	Budgeted transfer
Other Governmental Funds	General Fund	15,000	Budgeted transfer
Other Governmental Funds	General Fund	10,000	Capital outlay
	Total	<u>\$ 35,000</u>	

**E. 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, 2019, are as follows:

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	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Certificates of obligation	\$ 3,445,000	\$ --	\$ 155,000	\$ 3,290,000	\$ 165,000
Refunding bonds	162,350	--	39,100	123,250	39,950
Installment loans	352,716	--	60,679	292,037	61,526
Unamortized bond premium	89,209	--	7,383	81,826	--
Compensated absences *	119,498	--	3,554	115,944	--
Total governmental activities	<u>\$ 4,168,773</u>	<u>\$ --</u>	<u>\$ 265,716</u>	<u>\$ 3,903,057</u>	<u>\$ 266,476</u>
<b>Business-type activities:</b>					
Certificates of obligation	\$ 6,995,000	\$ --	\$ 210,000	\$ 6,785,000	\$ 210,000
Refunding bonds	792,650	4,650,000	255,900	5,186,750	275,050
Revenue bonds	4,577,000	--	4,577,000	--	--
Unamortized bond premium	65,273	71,406	14,804	121,875	--
Total business-type activities	<u>\$ 12,429,923</u>	<u>\$ 4,721,406</u>	<u>\$ 5,057,704</u>	<u>\$ 12,093,625</u>	<u>\$ 485,050</u>

\* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General, Other Governmental

**2. Debt Service Requirements**

Debt service requirements on long-term debt at September 30, 2019, are as follows:

**GOVERNMENTAL ACTIVITIES**

<u>Year Ending September 30,</u>	Bonds and Certificates of Obligation		
	Principal	Interest	Total
2020	\$ 204,950	\$ 111,423	\$ 316,373
2021	210,800	105,512	316,312
2022	217,500	99,363	316,863
2023	220,000	92,725	312,725
2024	225,000	84,625	309,625
2025-2029	1,075,000	305,550	1,380,550
2030-2034	520,000	178,037	698,037
2035-2039	605,000	88,263	693,263
2039-2040	135,000	4,725	139,725
Totals	<u>\$ 3,413,250</u>	<u>\$ 1,070,223</u>	<u>\$ 4,483,473</u>

<u>Year Ending September 30,</u>	Installment Loans		
	Principal	Interest	Total
2020	\$ 61,526	\$ 7,778	\$ 69,304
2021	60,747	6,205	66,952
2022	62,336	4,616	66,952
2023	34,856	2,982	37,838
2024	35,823	2,015	37,838
2025-2029	36,749	1,089	37,838
Totals	<u>\$ 292,037</u>	<u>\$ 24,685</u>	<u>\$ 316,722</u>



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**BUSINESS-TYPE ACTIVITIES**

<u>Year Ending September 30,</u>	<u>Bonds and Certificates of Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 485,050	\$ 303,365	\$ 788,415
2021	499,200	293,152	792,352
2022	512,500	282,100	794,600
2023	490,000	272,431	762,431
2024	500,000	263,666	763,666
2025-2029	2,660,000	1,157,391	3,817,391
2030-2034	2,645,000	848,976	3,493,976
2035-2039	2,015,000	569,021	2,584,021
2040-2044	970,000	358,400	1,328,400
2045-2049	1,195,000	147,200	1,342,200
Totals	<u>\$ 11,971,750</u>	<u>\$ 4,495,702</u>	<u>\$ 16,467,452</u>

**3. Outstanding Debt**

Debt outstanding at September 30, 2019, consists of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 9/30/2019</u>
<u>Governmental Activities</u>			
Series 2013 Certificates of Obligation	2.0-4.0%	2/15/2030	\$ 1,205,000
Series 2015 Certificates of Obligation	3.5-4.0%	8/15/2040	2,085,000
Series 2012 G.O. Refunding Bonds	1.0-3.5%	2/15/2022	123,250
Installment Loan - Ballfield Groomer	3.59%	6/19/2020	2,331
Installment Loan - Vehicles/Mowers	2.434%	10/02/2021	83,254
Installment Loan - Fire Truck	2.75%	9/30/2025	206,452
			<u>\$ 3,705,287</u>
<u>Business Type Activities</u>			
Series 2013 Certificates of Obligation	2.0-4.0%	2/15/2030	\$ 1,520,000
Series 2017A Certificates of Obligation	0.13-1.51%	8/15/2037	1,525,000
Series 2017B Certificates of Obligation	0.01-1.56%	8/15/2037	3,740,000
Series 2012 G.O. Refunding Bonds	1.0-3.5%	2/15/2022	601,750
Series 2018 Refunding Bonds	3.0-4.10%	9/15/2049	4,585,000
			<u>\$ 11,971,750</u>

**4. Refunding of Debt**

On December 20, 2018, the City issued \$4,650,000 in general obligation refunding bonds with interest rates of 3.0-4.1%. The City issued bonds to refund the 2009 Revenue Bonds with an interest rate of 4.5%. The refunding reduced total debt service payments over the next 31 years by \$342,250. This results in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$201,158.

The reacquisition price exceeded the net carrying value of the old debt by \$71,406. This amount is being amortized over the remaining life of the refunded debt, which is the same as the life of the new debt.

**F. 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 2019, 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

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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.

**G. Pension Plan**

**1. Plan Description**

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.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 benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by City Council, within the options available in the statutes governing TMRS. The contribution rate for the employees is 5%, and the City matching ratio is currently 2 to 1, both as adopted by City Council.

Initiated in 1992, the City provides on an annually repeating basis annuity increases for retirees, which are also referred to as cost of living adjustments (COLAS). Currently, that amount is equal to 70% of the change in the consumer price index (CPI). The amount of COLA percentage can only be changed by a City-adopted ordinance.

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

Inactive employees or beneficiaries currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	88
Active employees	57
Total covered employees	<u>187</u>

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**3. Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 3.31% and 8.20% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$170,648, and were equal to the required contributions.

**4. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

**5. Actuarial Assumptions**

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by an additional factor of 100.00%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2018 valuation.

After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order 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

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plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

6. Discount Rate

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

7. Allocations

The City's net pension liability, pension expense, and deferred outflows and inflows of resources related to TMRS have been allocated between governmental activities and business-type activities using a contribution-based method.

8. Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	\$ Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2017	\$ 6,395,962	\$ 7,009,428	\$ (613,466)
Changes for the year			
Service cost	304,866	--	304,866
Interest	485,477	--	485,477
Change of benefit terms	803,392	--	803,392
Difference between expected and actual experience	(57,747)	--	(57,747)
Changes of assumptions	--	--	--
Contributions - employer	--	83,387	(83,387)
Contributions - employee	--	126,082	(126,082)
Net investment income	--	(209,822)	209,822
Benefit payments, including refunds of employee contributions	(319,059)	(319,059)	--

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Administrative expense	--	(4,058)	4,058
Other changes	--	(212)	212
Net changes	\$ 1,216,929	\$ (323,682)	\$ 1,540,611
Balance at 12/31/2018	\$ 7,612,891	\$ 6,685,746	\$ 927,145

9. 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	Discount Rate	1% Increase in Discount Rate
City's net pension liability	\$ 2,079,261	\$ 927,145	\$ 3,799

10. Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2019, the City recognized pension expense of \$979,138.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ --	\$ 128,697
Changes in actuarial assumptions	--	--
Difference between projected and actual investment earnings	356,140	--
Contributions subsequent to the measurement date	150,998	--
Total	\$ 507,138	\$ 128,697

\$150,998 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement	
Year ended Dec. 31:	
2019	\$ 14,451
2020	30,445
2021	45,956
2022	136,591
Total	\$ 227,443

**CITY OF GLADEWATER, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**H. Other Post-Employment Benefits**

**1. Plan Description**

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active 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 accumulating 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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	13
Active employees	57
Total	<u>92</u>

**3. Contributions**

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

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

The retiree portion of contribution rates to the SDBF for the City was .04% for calendar year 2018 and .04% for calendar year 2019. The City's contributions to the SDBF for the year ended September 30, 2019 were \$973, and were equal to the required contributions.

**4. Total OPEB Liability**

The City's Total OPEB Liability (TOL) was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

**5. Actuarial Assumptions**

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial

**CITY OF GLADEWATER, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 10.5% including inflation
Discount rate	3.71%
Retiree's share of benefit-related costs	\$0

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study of the four-year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal Actuarial Cost Method.

The discount rate used to measure the Total OPEB Liability was 3.71% and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

6. Changes in Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2017	\$ 143,222
Changes for the year:	
Service Cost	8,321
Interest on Total OPEB Liability	4,862
Difference between expected and actual experience	(6,386)
Changes in assumptions or other inputs	(10,803)
Benefit payments	(1,009)
Net changes	(5,015)
Balance at 12/31/18	\$ 138,207

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

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 3.71%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.71%) or 1 percentage-point higher (4.71%) than the current rate:

	1% Decrease in Discount Rate 2.71%	Discount Rate 3.71%	1% Increase in Discount Rate 4.71%
Total OPEB Liability	\$ 167,584	\$ 138,207	\$ 115,874

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$12,333. At September 30,

**CITY OF GLADEWATER, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

2019, 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
Differences between expected and actual experience	\$ --	\$ 5,237
Changes in assumptions and other inputs	--	878
Contributions subsequent to the measurement date	737	--
Total	\$ <u>737</u>	\$ <u>6,115</u>

The \$737 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will reduce the Total OPEB Liability during the year ending September 30, 2020. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Year Ended <u>December 31:</u>	
2019	\$ (850)
2020	(850)
2021	(850)
2022	(1,836)
2023	(1,729)
Thereafter	--
Total	\$ <u>(6,115)</u>

**I. 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, 2019.

**3. Commitments**

The City had the following outstanding commitments at September 30, 2019 that will be funded with proceeds of the 2017 Certificates of Obligation:

Construction - Gay Avenue EST Rehabilitation	\$ 92,801
Construction - Intake Structure Upgrades	144,300
Construction - Waterline Improvements	173,782
Construction - WWTP Improvements	2,789,000
	\$ <u>3,199,883</u>



**CITY OF GLADEWATER, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**J. Fund Balances and Net Position**

As of September 30, 2019, net position restricted for other purposes was as follows

Governmental Activities	
Municipal Court Security Fees	\$ 9,464
Municipal Court Technology Fees	19,818
Tobacco Enforcement Grant	799
LEOSE State Allocation	5,071
	<u>\$ 35,152</u>

As of September 30, 2019, fund balances restricted for specific purposes were as follows:

General Fund	
Municipal Court Security Fees	\$ 9,464
Municipal Court Technology Fees	19,818
Tobacco Enforcement Grant	799
LEOSE State Allocation	5,071
	<u>\$ 35,152</u>
Other Governmental Funds	
Debt Service	<u>\$ 611,038</u>

As of September 30, 2019, fund balances committed for specific purposes were as follows:

Other Governmental Funds	
Municipal Park Cemetery	\$ 104,645
"N" Special	7,875
Police Concessions	46
Fire Station Miscellaneous	27,186
	<u>\$ 139,752</u>

**K. Subsequent Events**

Management has evaluated subsequent events through April 10, 2020, the date on which the financial statements were available to be issued.

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## 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 GLADEWATER, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**EXHIBIT B-1**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property Taxes	\$ 2,071,032	\$ 2,071,032	\$ 1,997,183	\$ (73,849)
Penalty and Interest	45,000	45,000	40,882	(4,118)
Sales Tax	670,000	670,000	734,798	64,798
Franchise Taxes	285,000	285,000	289,982	4,982
Fines and Forfeitures	287,500	287,500	317,427	29,927
Licenses and Permits	36,400	36,400	51,094	14,694
Sanitation Fees, Net	115,000	115,000	113,738	(1,262)
Grants	115,500	142,464	149,914	7,450
Fire and Ambulance Contracts	40,000	40,000	44,000	4,000
Investment Income	54,000	54,000	66,919	12,919
Rents	53,200	53,200	51,602	(1,598)
Services to Other Governments	111,288	111,288	67,535	(43,753)
Library Revenues	9,500	9,500	15,010	5,510
Miscellaneous	36,868	45,168	104,286	59,118
<b>TOTAL REVENUES</b>	<u>3,930,288</u>	<u>3,965,552</u>	<u>4,044,370</u>	<u>78,818</u>
<b>EXPENDITURES:</b>				
Legislative	34,250	34,250	27,343	6,907
Administrative	152,563	152,563	150,004	2,559
Finance	206,575	206,575	224,003	(17,428)
Tax	68,650	68,650	60,157	8,493
Fire	810,022	810,022	810,075	(53)
Police	1,310,863	1,310,863	1,150,056	160,807
Animal Control	45,000	45,000	29,233	15,767
Municipal Court	113,353	113,353	84,516	28,837
Main Street	5,000	51,076	11,560	39,516
Streets and Parks	441,668	441,668	338,007	103,661
Code Enforcement	161,895	161,895	117,535	44,360
Municipal Buildings	118,300	118,300	112,203	6,097
Library	94,427	94,427	89,096	5,331
Non-departmental	361,788	326,512	288,592	37,920
Capital Outlay	--	64,431	69,746	(5,315)
Debt Service - Principal	3,150	61,820	60,679	1,141
Debt Service - Interest	--	8,370	9,409	(1,039)
<b>TOTAL EXPENDITURES</b>	<u>3,927,504</u>	<u>4,069,775</u>	<u>3,632,214</u>	<u>437,561</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,784</u>	<u>(104,223)</u>	<u>412,156</u>	<u>516,379</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In (Out) - Net	<u>27,400</u>	<u>37,400</u>	<u>35,000</u>	<u>(2,400)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>27,400</u>	<u>37,400</u>	<u>35,000</u>	<u>(2,400)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>30,184</u>	<u>(66,823)</u>	<u>447,156</u>	<u>513,979</u>
<b>FUND BALANCE, BEGINNING</b>	<u>1,751,159</u>	<u>1,751,159</u>	<u>1,751,159</u>	<u>--</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 1,781,343</u>	<u>\$ 1,684,336</u>	<u>\$ 2,198,315</u>	<u>\$ 513,979</u>

**CITY OF GLADEWATER, TEXAS**  
**MUNICIPAL AIRPORT FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**EXHIBIT B-2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Grants	\$ --	\$ --	\$ 697,513	\$ 697,513
Investment Income	--	--	2,739	2,739
Airport Revenues	32,000	64,630	49,545	(15,085)
<b>TOTAL REVENUES</b>	<u>32,000</u>	<u>64,630</u>	<u>749,797</u>	<u>685,167</u>
<b>EXPENDITURES:</b>				
Airport	9,700	9,700	788,708	(779,008)
<b>TOTAL EXPENDITURES</b>	<u>9,700</u>	<u>9,700</u>	<u>788,708</u>	<u>(779,008)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>22,300</u>	<u>54,930</u>	<u>(38,911)</u>	<u>(93,841)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In (Out) - Net	(10,000)	(10,000)	(10,000)	--
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>--</u>
<b>NET CHANGE IN FUND BALANCES</b>	12,300	44,930	(48,911)	(93,841)
<b>FUND BALANCE, BEGINNING</b>	<u>189,714</u>	<u>189,714</u>	<u>189,714</u>	<u>--</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 202,014</u>	<u>\$ 234,644</u>	<u>\$ 140,803</u>	<u>\$ (93,841)</u>

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

	Measurement Period Ended December 31,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Total pension liability:</b>										
Service cost	\$ 304,866 \$	208,885 \$	232,981 \$	225,716 \$	205,494 \$	--	\$ --	\$ --	\$ --	--
Interest	485,477	430,088	415,582	399,075	386,185	--	--	--	--	--
Changes of benefit terms	803,392	--	--	--	--	--	--	--	--	--
Differences between expected and actual experience	(57,747)	(279,530)	(72,662)	(758)	(200,294)	--	--	--	--	--
Changes of assumptions	--	--	--	58,343	--	--	--	--	--	--
Benefit payments, including refunds of employee contributions	(319,059)	(461,228)	(236,461)	(224,168)	(210,533)	--	--	--	--	--
<b>Net change in total pension liability</b>	<b>1,216,929</b>	<b>(101,985)</b>	<b>339,440</b>	<b>458,208</b>	<b>180,852</b>	--	--	--	--	--
<b>Total pension liability - beginning</b>	<b>6,395,962</b>	<b>6,497,947</b>	<b>6,158,507</b>	<b>5,700,299</b>	<b>5,519,447</b>	--	--	--	--	--
<b>Total pension liability - ending (a)</b>	<b>\$ 7,612,891 \$</b>	<b>\$ 6,395,962 \$</b>	<b>\$ 6,497,947 \$</b>	<b>\$ 6,158,507 \$</b>	<b>\$ 5,700,299 \$</b>	--	--	--	--	--
<b>Plan fiduciary net position:</b>										
Contributions - employer	\$ 83,387 \$	88,898 \$	88,610 \$	101,353 \$	90,745 \$	--	\$ --	\$ --	\$ --	--
Contributions - employee	126,082	125,562	138,022	136,963	133,448	--	--	--	--	--
Net investment income	(209,822)	883,652	404,502	8,808	322,484	--	--	--	--	--
Benefit payments, including refunds of employee contributions	(319,059)	(461,228)	(236,461)	(224,168)	(210,533)	--	--	--	--	--
Administrative expense	(4,058)	(4,581)	(4,570)	(5,366)	(3,367)	--	--	--	--	--
Other	(212)	(232)	(246)	(264)	(277)	--	--	--	--	--
<b>Net change in plan fiduciary net position</b>	<b>(323,682)</b>	<b>632,071</b>	<b>389,857</b>	<b>17,326</b>	<b>332,500</b>	--	--	--	--	--
<b>Plan fiduciary net position - beginning</b>	<b>7,009,428</b>	<b>6,377,357</b>	<b>5,987,500</b>	<b>5,970,174</b>	<b>5,637,674</b>	--	--	--	--	--
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 6,685,746 \$</b>	<b>\$ 7,009,428 \$</b>	<b>\$ 6,377,357 \$</b>	<b>\$ 5,987,500 \$</b>	<b>\$ 5,970,174 \$</b>	--	--	--	--	--
<b>City's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 927,145 \$</b>	<b>\$ (613,466) \$</b>	<b>\$ 120,590 \$</b>	<b>\$ 171,007 \$</b>	<b>\$ (269,875) \$</b>	--	--	--	--	--
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>87.82%</b>	<b>109.59%</b>	<b>98.14%</b>	<b>97.22%</b>	<b>104.73%</b>	--	--	--	--	--
<b>Covered-employee payroll</b>	<b>\$ 2,521,642 \$</b>	<b>\$ 2,511,246 \$</b>	<b>\$ 2,760,433 \$</b>	<b>\$ 2,738,269 \$</b>	<b>\$ 2,668,958 \$</b>	--	\$ --	\$ --	\$ --	--
<b>City's net pension liability (asset) as a percentage of covered-employee payroll</b>	<b>36.77%</b>	<b>-24.43%</b>	<b>4.37%</b>	<b>6.24%</b>	<b>-10.11%</b>	--	--	--	--	--

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

	Fiscal Year Ended September 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 170,648	\$ 84,624	\$ 88,156	\$ 96,329	\$ 98,767	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the actuarially determined contribution	(170,648)	(84,624)	(88,156)	(96,329)	(98,767)	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Covered-employee payroll	\$ 2,433,177	\$ 2,519,907	\$ 2,548,776	\$ 2,885,957	\$ 2,729,671	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	7.01%	3.36%	3.46%	3.34%	3.62%	--	--	--	--	--

\* 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 GLADEWATER, TEXAS**  
**SCHEDULE OF CITY CONTRIBUTIONS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS FUND**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year Ended September 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 973	\$ 1,008	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the actuarially determined contribution	(973)	(1,008)	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Covered-employee payroll	\$ 2,433,177	\$ 2,519,907	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	0.04%	0.04%	--	--	--	--	--	--	--	--

GASB No. 75, paragraph 57 requires that the data in this schedule be presented as of the City's fiscal year as opposed to the time period covered by the measurement date.

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

	Measurement Year Ended December 31,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability:										
Service cost	\$ 8,321	\$ 7,283	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Interest	4,862	4,648	--	--	--	--	--	--	--	--
Changes of benefit terms	--	--	--	--	--	--	--	--	--	--
Differences between expected and actual experience	(6,386)	--	--	--	--	--	--	--	--	--
Changes of assumptions or other inputs	(10,803)	12,466	--	--	--	--	--	--	--	--
Benefit payments	(1,009)	(1,004)	--	--	--	--	--	--	--	--
Net change in total OPEB liability	(5,015)	23,393	--	--	--	--	--	--	--	--
Total OPEB liability - beginning	143,222	119,829	--	--	--	--	--	--	--	--
Total OPEB liability - ending	\$ 138,207	\$ 143,222	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Covered-employee payroll	\$ 2,521,642	\$ 2,511,246	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Total OPEB liability as a percentage of covered-employee payroll	5.48%	5.70%	--	--	--	--	--	--	--	--

\* 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.

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

## CITY OF GLADEWATER, TEXAS

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2019

#### 1. Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the required supplementary information:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. During the year, the budget was amended as necessary. All budget appropriations lapse at year end.

#### 2. Expenditures in Excess of Appropriations

Expenditures exceeded appropriations in the Municipal Airport Fund.

#### 3. Texas Municipal Retirement System

##### Valuation Date

Actuarially determined contribution rates are calculated as of December 31 each year and become effective in January, 12 months and one day 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	25 years
Asset Valuation Method	10 year smoothed market, 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**CITY OF GLADEWATER, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Other Information

The City match changed from 1:1 to 2:1 effective January 1, 2018.

4. Texas Municipal Retirement System Supplemental Death Benefits Fund

Valuation Date

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

Methods and Assumptions Used to Determine Contribution Rates

Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Discount Rate	3.71% based on the Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2018.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information

There were no benefit changes during the year.

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## COMPLIANCE SECTION

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

## Certified Public Accountants

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### 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

To the Mayor and City Council  
City of Gladewater, Texas  
519 E. Broadway  
Gladewater, Texas 75647

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Gladewater, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of Gladewater, Texas' basic financial statements, and have issued our report thereon dated April 10, 2020. Our report includes a reference to other auditors who audited the financial statements of Gladewater Economic Development Corporation (GEDCO), as described in our report on the City of Gladewater, Texas' financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

#### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Gladewater, Texas' financial

statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **City of Gladewater, Texas' Response to Findings**

City of Gladewater, Texas' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Gladewater, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **Purpose of this Report**

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

*Karen A. Jacks & Associates, P.C.*

Karen A. Jacks & Associates, P.C.  
Longview, Texas  
April 10, 2020



**CITY OF GLADEWATER, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**A. Summary of Auditors' Results**

**1. Financial Statements**

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

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

Noncompliance material to financial statements noted?        Yes   X   No

**B. Financial Statement Findings**

**Finding 2019-001**

**Criteria:**

A properly designed internal control structure provides for systems and procedures such that City employees, in the course of performing their assigned duties, will prevent, or detect and correct, misstatements of the City's financial data on a timely basis.

**Condition:**

The City does not have a systematic and routine year-end closing process to insure that all material financial statement account balances are accurate and that all significant accounts are reconciled as necessary.

**Cause:**

There appears to be a general lack of understanding with regard to the financial closing process.

**Effect:**

Interfund transfers were not in agreement between funds. The budget in the accounting records did not agree to the budget approved by City Council. Accounts payable balances were understated. Additions to capital asset balances were not identified. Material audit adjustments were required to properly report the City's financial statements as of and for the year ended September 30, 2019.

**Recommendation:**

The City may consider providing additional training and mentoring for its finance office to assist in the development and implementation of appropriate monthly and year-end closing procedures.

**Views of Responsible Officials:**

Management acknowledges these conditions and will adhere to the corrective action plan prepared by the City Manager and presented on page 65.

**CITY OF GLADEWATER, TEXAS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Finding 2018-001

Finding/Recommendation

The City did not have a systematic and routine year-end closing process to insure that all material financial statement account balances were accurate and that all significant accounts were reconciled as necessary. We recommended that the City consider providing training and mentoring for its finance office to assist in the development of appropriate monthly and year-end closing and reconciliation procedures.

Current Status

In response to the above finding/recommendation, the City hired an outside CPA to work with the finance office on implementing appropriate monthly and year-end closing and reconciliation procedures. Those procedures were used for the closing of the 2019 fiscal year. We will continue to work with the outside CPA to fine tune the procedures and mentor staff.

The finance office has revamped the account reconciliation process. All bank accounts are now fully reconciled in a timely manner and given to management for review.

The City Treasurer is currently in the Government Finance Officers Association of Texas Certification program to obtain additional training.

**CITY OF GLADEWATER, TEXAS**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

The person responsible for implementing this corrective action plan is Ricky Tow, City Manager.

Finding #2019-001

The City has hired an outside CPA to provide training and mentoring to the City's Treasury staff. This year we will focus on balance sheet analysis and expanding the year-end closing procedures to ensure that all accounts are adjusted properly. The City Treasurer is enrolled in the Government Finance Officers Association of Texas Certification program. All finance staff will attend other short courses in accounting as they become available.

We will implement a better process for project management that includes consistent filing of invoices and related documents, as well as recording liabilities when invoices are received.

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