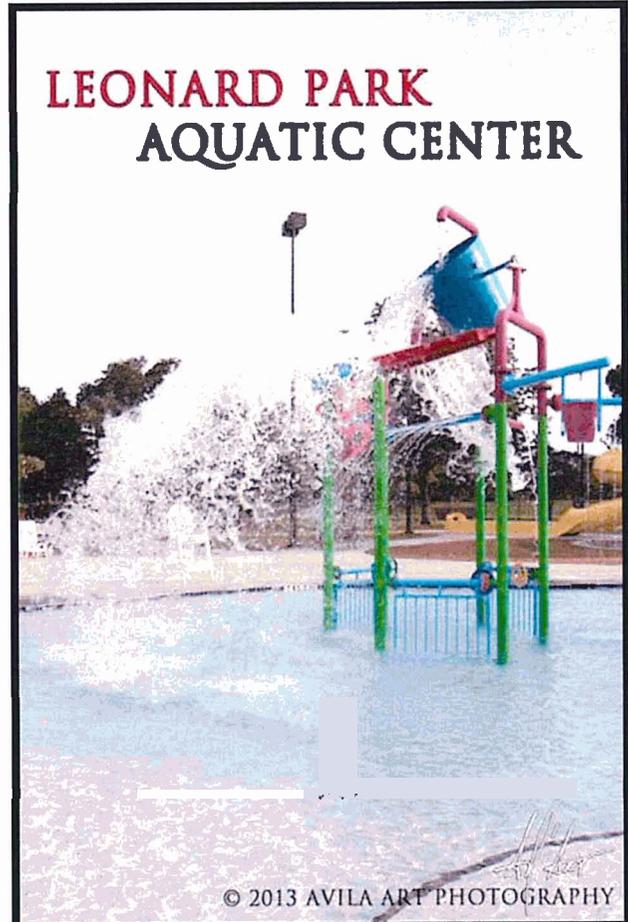
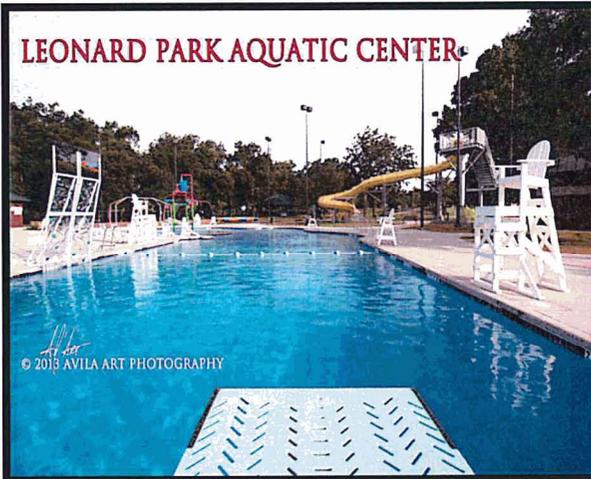
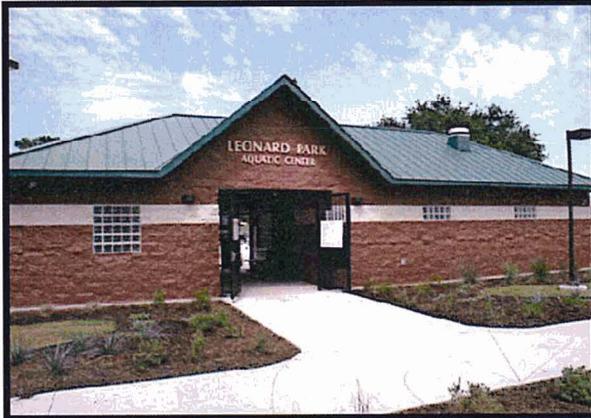




City of Gainesville, Texas



Comprehensive Annual Financial Report

Fiscal Year Ending September 30, 2013

Leonard Park Aquatic Facility

(Front Cover)

“Swimming: From the outside looking in, you can’t understand it. From the inside looking out, you can’t explain it.” Author Unknown

The previous pool that resided in Gainesville’s Leonard Park was constructed approximately sixty-five years ago. From that time until most recently, it served the community well, offering swimming lessons, lifeguarding courses, aerobic classes and other aquatic opportunities.

Over the course of the last several years, due to an increase in sales tax revenue, The City of Gainesville has been fortunate enough to obtain the funds to construct a brand new facility. City Council elected to proceed with the demolition of the old Leonard Park Pool and move forward to offer the citizens of Gainesville a brand new aquatic experience: The Leonard Park Aquatic Center.

The new Leonard Park Aquatic Center will continue to offer swimming lessons, lifeguarding courses and aerobic classes as well as offering the public fresh and exciting opportunities. A new Paddlin’ with Parents time, monthly movie nights and the human hamster balls are just the beginning of all the Center has available. The 2,000,000 gallon facility has an 18 foot high water slide, 10 foot high drop slide, diving board, zero entry with a play structure, 8 foot rock climbing wall, human hamster balls, a shaded Cabana area with picnic tables, and a beautiful sun bathing deck with chaise lounges. The Leonard Park Aquatic center is a thrilling new feature for the City of Gainesville and a recreation destination for its beloved citizens.



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Gainesville
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO



City of Gainesville, Texas

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

Prepared by
Finance Department

Fiscal Year Ended
September 30, 2013

City of Gainesville, Texas
Comprehensive Annual Financial Report
September 30, 2013

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Introductory Section



March 18, 2014

Honorable Mayor and City Council
and to the Citizens of the City of Gainesville, Texas:

The Comprehensive Annual Financial Report of the City of Gainesville (the “City”) for the fiscal year ended September 30, 2013, including the independent auditor’s report, is hereby submitted as mandated by local ordinances and state statutes. These ordinances and statutes require that the City issue an annual report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation including all disclosures rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the operations of the City on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

GENERAL INFORMATION – CITY OF GAINESVILLE

The City is located in North Central Texas and was originally incorporated in 1873, with the first Charter adopted in 1909 and the latest revision made on August 10, 1996. The City currently has a land area of 19.47 square miles and, as of 2010 U.S. Census a population of 16,002. The City is a home rule city and operates under the Council-Manager form of government. The City is comprised of six (6) wards. Each alternating year voters of three wards elect their representatives and in odd numbered year, a citywide election is held for the Mayor’s position. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney and City Secretary.

The Charter requires that the City Council appoint a City Manager to act as the chief administrative and executive officer of the City. The City Manager is not appointed for a fixed time and may be removed at the will of the majority of the City Council. One of the responsibilities of the City Manager is to appoint and remove department heads and conduct the general affairs of the City in accordance with the policies of the City Council.

The City Manager is also responsible for carrying out the policies and ordinances of the City Council, and for overseeing the day-to-day operations of the City government.

The City provides to its citizens a full range of services including police and fire protection, water and sewer service, solid waste disposal, park and recreational activities, special events, maintenance of streets, cemetery, and storm water control maintenance. In addition, the City provides planning for future land use, traffic control, building inspection and code compliance, operates one eighteen-hole golf course, the Frank Buck Zoo, Leonard Park Aquatic Center and a general aviation airport. Electric, gas, telephone and cable television services are provided by private utilities including but not limited to Cooke County Electric, Oncor, Atmos Energy, Suddenlink Cable and multiple telephone companies.

Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance.

LOCAL ECONOMIC CONDITIONS AND OUTLOOK

Gainesville is located approximately 60 miles north from the centers of both Dallas and Fort Worth and therefore is not considered as a typical suburban community. In fact, due to its location and size, Gainesville is considered as a rural community. While many attributes contribute to this perception, the economic reality for Gainesville is that it has become an economic hub for the North Central Texas and Southern Oklahoma Region. The northern City limits are approximately one (1) mile from the Red River and Oklahoma border. The population service area of forty miles is in excess of 465,000 people. As a result, Gainesville is the largest employment center between Denton, Texas, Ardmore, Oklahoma, Wichita Falls and Sherman, Texas. Gainesville is the business, service and retail center for its region. Fueling this growth is the fact that Gainesville is at the crossroads of Interstate 35, the North American Free Trade Agreement's designated transportation corridor, and US Highway 82, the major east/west corridor serving all of northern Texas from Texarkana to Amarillo. Gainesville's economic diversity ranges from being considered the capital of the world's quarter horse industry to manufacturing roofing materials. The City's municipal airport is home to one of the world's leading airplane seat manufacturers. The City of Gainesville's strategic location attracts business growth in service, distribution, and transportation. The extensive resources available to companies includes the North Texas Medical Center, the North Central Texas College, close proximity to three major universities, skilled labor, transportation and infrastructure upgrades continue to prove beneficial for the City of Gainesville in recruiting businesses to join the City's appealing friendly environment.

Unemployment in Gainesville has remained lower than both the state and national averages (4.0% vs. 5.8% and 7.0% respectively). The rebound of the oil and gas industry along with the diversification of the City's economy are the main reasons for this lower

unemployment rate. Gainesville's diversified employment center is fueled by the gaming industry in Oklahoma and by an increasingly trained workforce in various industries, including oil, gas, plastic molding, metal fabricating, metal finishing, aerospace and agriculture.

The following are significant program, infrastructure and business developments for fiscal year 2012-2013:

- The City of Gainesville continues to move forward with new construction that includes completing over 230,000 square feet of industrial expansions and issuing additional permits for \$16.78 million worth of new construction and remodeling for commercial and industrial facilities.
- With funding from the Corps of Engineers and the issuance of General Obligation bonds, the City is constructing a \$12.00 million project to improve the Pecan Creek drainage and relocate a major sewer trunk line. This project should conclude in 2014.
- The City issued \$4.88 million of Certificates of Obligation in 2010 for the implementation of the city's Street and Utility Maintenance Program (SUMP). In 2012 the City issued an additional \$3.02 million of Certificates of Obligation for the SUMP. In 2013 the City issued \$5.73 million in Certificates of Obligation. The bonds are being utilized for streets, water utilities, wastewater utilities, drainage improvements and for the Waste Water Treatment Plant.
- The Texas Department of Transportation completed significant improvements to the Interstate 35 and US Highway 82 interchange. These improvements included the extension of frontage roads through the intersection, the elimination of cloverleaf ramps, installation of signalized intersections at US Highway 82 and State Highway 51 and the construction of continuous U-turns (Texas Turn-Arounds) at Highway 51. These improvements will provide development opportunities for large parcels at the intersections. Moreover, this project provided \$2 million worth of upgrades to the City's water and waste water utilities.
- In 2013, the City started construction on the Moss Lake Water Treatment Plant expansion and the Northwest Water Distribution Line. The \$7 million project funding is provided through the Texas Water Development Board (WIF Program) and Environmental Protection Agency's State and Tribal Assistance Grant.
- A transfer of \$2.25 million was made from the General Fund to a new Assigned General Capital Fund in FY 2013 for the completion of the Leonard Park Aquatic Center, assisted with the purchase of an aerial ladder fire truck for the fire department, new offices for Community Services, generator for City Hall and a roof for the Civic Center. The City plans to extend the last of these funds in FY 2014 for security cameras around the City, court software package, backup duty

weapons for the police department and additional projects from the Street Utility Maintenance Program. The General Fund maintained a 172 day cash operational reserve after the transfer.

- The City completed a crack seal project at a cost of \$332,564.
- Approximately \$1.40 million was spent for new heavy equipment for Fire, Street, Stormwater Drainage and Solid Waste.
- The City has continued the radio read meter project in FY 2013. Approximately fifty-seven percent (57%) of the city is utilizing the radio read meters at a cost of \$358,941.

FINANCIAL INFORMATION

Accounting Procedures and Budgetary Controls

The City's accounting records for general governmental activities are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities incurred. Accounting records for the City's utilities and other proprietary activities are maintained on the accrual basis.

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of cost and benefits requires estimates and judgments by management.

As a recipient of federal and state awards, the City is also responsible for having an adequate internal control structure to ensure compliance with applicable laws and regulations related to the programs. This internal control structure is subject to periodic evaluation by the City's management and Finance Department staff.

In addition, the City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General, Debt Service, Municipal Golf Course, Water and Sewer, Solid Waste, Airport, Stormwater, Assigned Capital Fund and Hotel/Motel Tax funds are included in the annual appropriated budget. The City Manager is authorized to transfer budgeted amounts within and among departments, while the City Council through a budget amendment ratifies any transfers and/or amendments made by the City Manager.

During the fiscal year, budgetary control is maintained by the review of purchase orders for compliance with adopted policies and procedures. Purchase orders that exceed appropriated balances are not released until they have been further reviewed and approved by the City Manager or his representative. Departmental appropriations that have not been expended by the department at the end of the fiscal year lapse and are not available for use unless appropriated in the ensuing fiscal year's budget.

Ad Valorem Tax

The City is empowered to levy an Ad Valorem Tax on both real and business personal property located within its boundaries. The levy is set based on the Certified Tax Roll presented to the City by the Chief Tax Appraiser in July of each year. This is prior to settlement of any law suits which can take several months and can change the total assessed valuation. The tax levy is calculated at a 95% collection rate and the amount of collectible taxes changes.

Allocation of Ad Valorem Taxes

The revenue to be received from current tax collections is distributed between the General Fund and Debt Service Fund according to the ratio for allocation that is set when the budget is adopted. Allocation of ad valorem tax revenues by purpose for fiscal year 2013 and the preceding four years is reflected in the following table. The amounts in the table are per one hundred dollars of assessed value.

Purpose	2013	2012	2011	2010	2009
General	0.458500	0.434260	0.432356	0.4257	0.3822
Debt Service	0.188550	0.212740	0.214644	0.2213	0.2648
Total	0.647000	0.647000	0.647000	0.6470	0.6470

For fiscal year 2013, the Total Assessed Taxable Value increased \$110,111,621 or 14.6%.

Long-term Financial Planning

The City maintains a five-year capital improvement program (CIP). The CIP is used as a planning tool and does not commit the City to any project or project funding. The intent of the CIP is for the City to prioritize specific capital improvements and the means of financing the improvements during the subsequent five years. Recommended improvements are not approved until official action has been taken by the City Council to authorize funding for the improvements through its annual budget process.

The CIP for fiscal years 2014-2018 was approved by the City Council and is included in the fiscal year 2014 budget document. The CIP identifies the estimated costs of proposed future capital projects and the anticipated method of funding for each project. The total

five-year program identified \$50.81 million in total capital expenditures. The CIP breaks these expenditures into two separate categories: recurring at \$5.77 million or 11.4% and non-recurring at \$45.04 million or 88.6%.

Financial Policies

In FY 2008, the City Council passed a resolution setting a goal for the City to maintain ninety (90) operating days reserve by FY 2014. In December 2010, an ordinance was passed by the City Council increasing the reserve requirement from forty-five (45) days to sixty (60) days of budgeted expenditures starting with fiscal year 2012. At the close of Fiscal year 2013, the City had a 172-day operating, cash reserve for the General Fund. The City plans to update the ordinance to require a ninety (90) day reserve in FY 2014. Detailed financial policies are included as part of the City's budget document and in city ordinances.

OTHER INFORMATION

The City Charter requires an annual audit by independent certified public accountants. The City Council contracts with Schalk and Smith Certified Public Accountants. The independent auditor's opinion has been included in this report.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gainesville for Comprehensive Financial Report for the fiscal year ended September 30, 2012. This was the twenty-second (22) year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a municipality must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

We believe that the City's current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition to the Certificate of Achievement, the City has also received GFOA's Distinguished Budget Presentation Award for its fiscal years 2010, 2011, 2012 and 2013 annual budget documents. In order to qualify for the award, the City's budget document was judged to be proficient in all categories including as a policy document, a financial plan, an operations guide and a communications device. The 2014 budget document has been submitted and we believe it meets the requirements to receive another award.

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated efforts of the entire staff of the City's Finance Department. Each member

of the Department is recognized for their tireless effort and contribution to the completion of this report.

We also want to provide a special thank you to the Gainesville City Council for their leadership and support of sound fiscal management principles.

Sincerely,



Barry Sullivan
City Manager

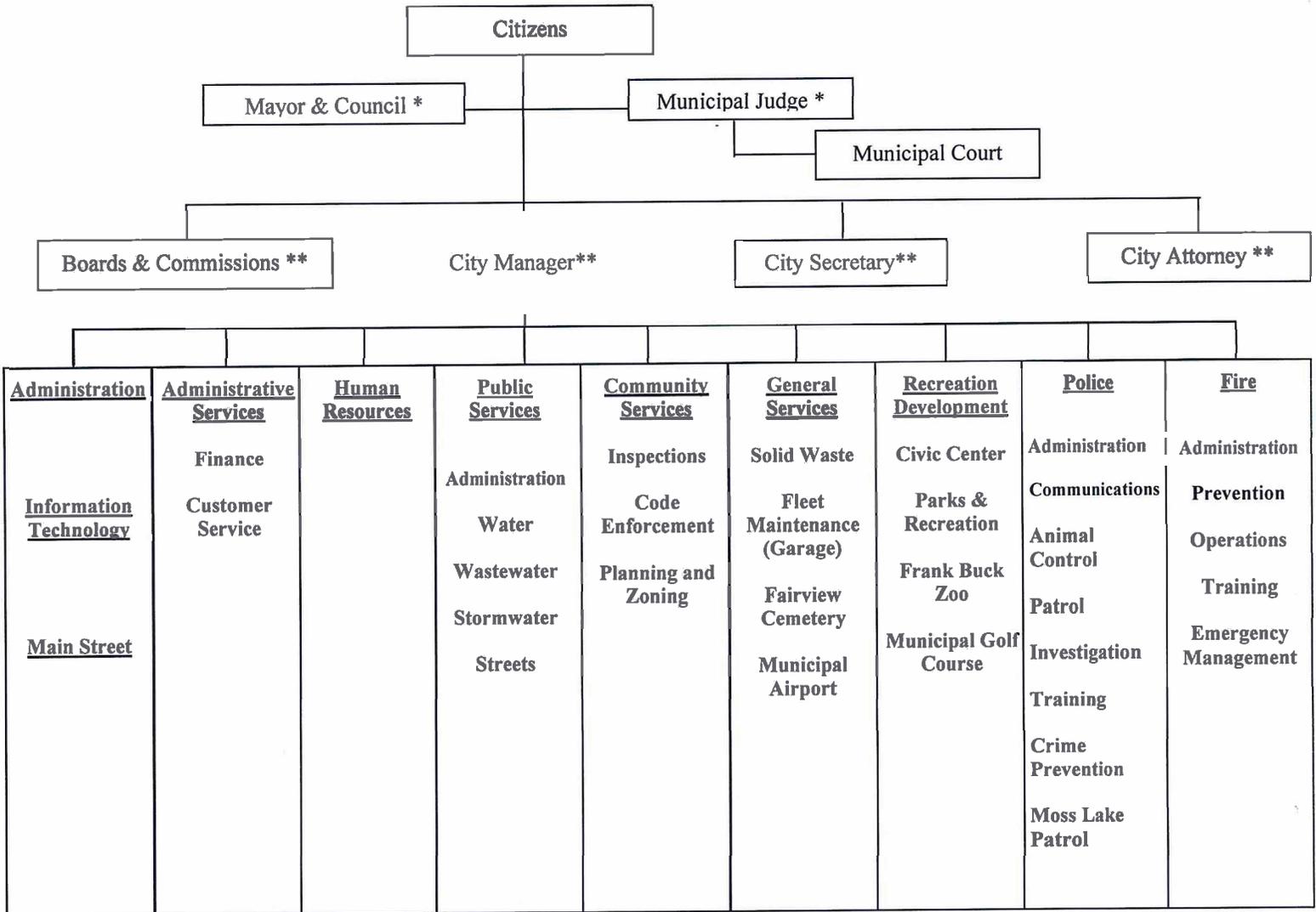


Daniel W. Parker
Finance Director



Karen F Dixon, CPA
Controller

City of Gainesville, Texas
Organizational Chart



* Elected Positions
 ** Appointed By City Council
All employees that are not appointed are under the direction of the City Manager.

CITY OF GAINESVILLE, TEXAS
September 30, 2013

LIST OF PRINCIPAL OFFICIALS

Title	Name
Mayor *	Jim Goldsworthy
Council Member & Mayor Pro Tem*	Ray Nichols
Council Member*	Carolyn Hendricks
Council Member*	Keith Clegg
Council Member*	Ken Keeler
Council Member*	Mary Jo Dollar
Council Member*	Beverly Snuggs
City Manager**	Barry L. Sullivan
City Secretary **	Kay Lunnon
City Attorney**	Bill Harris
Administrative Services Director	Daniel W. Parker
Police Chief	Steven Fleming
Municipal Court Judge *	Chris Cypert
Fire Chief	Steve Boone
Director of Utilities	Ron Sellman
Community Services Director	Julie Smith
Director of Human Resources	Leah Gore
Airport Manager	David Vinton

* Denotes Elected Official

** Denotes Appointed by City Council



Financial Section

INDEPENDENT AUDITOR'S REPORT

City Council
City of Gainesville
Gainesville, Texas 76240

Members of the Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gainesville (the City) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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

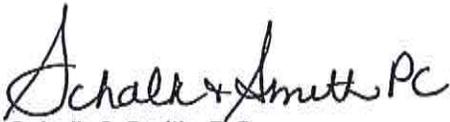
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gainesville, as of September 30, 2013, 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 on pages 3 through 22, the respective budgetary comparison for the General Fund on pages 32 through 33, and the Texas Municipal Retirement System Schedule of Funding Progress on page 80 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.



Schalk & Smith, P.C.
March 10, 2014

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2013

As Management of the City of Gainesville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. It should be read in conjunction with the accompanying letter of transmittal and basic financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities at September 30, 2013 by \$34,580,598 (net position). Of this amount, \$20,708,839 is unrestricted net position and may be used to provide the citizens services and funding for the betterments they desire.
- Per City ordinance, Gainesville keeps a minimum of 90 days of cash on hand. Any cash in excess of this amount can be used for other projects. During FY 2013, the City planned and budgeted to expend \$1,922,718 of funds in excess of the 90 day reserve. The City used some of these funds to complete the water park, assist in the purchase of a new aerial ladder fire truck for the fire department, build new offices for Community Services, purchase a generator for City Hall and construct a new roof for the Civic Center. The City plans to expend the last of these funds in FY 2014 for security cameras around the City, court software package, backup off-duty weapons for the police department and additional projects from the Street Utility Maintenance Program. In FY 2013, the City maintained 172 operating days of cash on hand.
- The City's total net position increased by \$5,472,346 or 18.8% for the year ended September 30, 2013. The net position of governmental activities increased \$2,856,488 or 15.4% over the FY 2012 total fund balance. This increase in net position resulted in part as a result of capitalizing the Pecan Creek project (page 6). This project is expected to be completed in FY 2014 when the City provides final acceptance of the U.S. Corp of Engineers' portion of the project. At that time, Gainesville is expecting a reimbursement of \$420,000 from the Federal Government for prior year expenses for the project.
- The City's total debt outstanding (excluding bond premiums and discounts) increased by \$3,394,434 or 11.5% during the current fiscal year reflecting the issuance of the FY 2013 Certificates of Obligation in the amount of \$5,730,000 at a rate of 2.597% for the Waste Water Treatment Plan.
- The City adopted two new accounting standards during this year, GASB Statement No. 63 and Statement No. 65. These new standards modified the presentation of the statement of financial position, including the addition of new classifications (deferred outflows of resources and deferred inflows of resources) and modified or eliminated the presentation of certain items that were previously reported as assets or liabilities. As a result of the implementation of these new accounting standards, the City's net position decreased from what was previously reported as of September 30, 2012 (pages 47 and 77).

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The reporting focus is on the City as a whole and on individual major funds. It is intended to present a more comprehensive view of the City's financial activities.

The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains required supplementary information and other supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Both are prepared using the economic resources focus and the accruals of accounting, meaning that all the current year's revenues and expenses are included regardless of when cash is received or paid.

The Statement of Net Position presents information on all of the City's assets and liabilities, including capital assets and long-term obligations. The difference between the two is reported as Net Position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other indicators of the City's financial position should be taken into consideration, such as the change in the City's property tax base and condition of the City's infrastructure (i.e. roads, drainage systems, water and sewer lines, etc.) in order to more accurately assess the overall financial condition of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. It focuses on both the gross and net costs of the government's various activities and, thus, summarizes the cost of providing specific government services. This statement includes all current year revenues and expenses.

The government-wide financial statements include not only the City of Gainesville itself (known as the primary government), but also a legally separate economic development corporation for which Gainesville Economic Development Corporation is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 23 through 25 of this report.

The Statement of Net Position and the Statement of Activities divide the City's activities into two types:

Governmental activities – Most of the City's basic services are reported here, including general government, police and fire protection, planning for future land use, traffic control, building inspection, public health, park, zoo and recreational activities, street construction and

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2013

maintenance, cemetery operations and cultural events. Property tax, sales tax, occupancy tax and franchise fees provide the majority of the financing for these activities.

Business-type activities – Activities for which the City charges a fee to customers to pay most or all of the costs of a service it provides are reported here. The City's business-type activities include water production and distribution, wastewater collection and treatment, solid waste collection and disposal, municipal airport operations, stormwater drainage and the municipal golf course.

Fund Financial Statements. The City of Gainesville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. These statements focus on the most significant funds and may be used to find more detailed information about the City's most significant activities. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City maintains twenty individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Debt Service Fund, the Street Utility Maintenance Fund and Assigned General Capital Fund which are considered to be major funds. Data for the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds - When the City charges customers for services it provides, the activities are generally reported in the proprietary funds. The City of Gainesville maintains one type of proprietary fund, which is referred to as an enterprise fund.

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations, solid waste collection and disposal services, the operation of the municipal airport, stormwater drainage utilities, and the operation of the municipal golf course. These services are primarily provided to outside or non-governmental customers.

Proprietary funds financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the water and sewer operations, solid waste collection and disposal, stormwater drainage, and the municipal airport all of which are considered to be major funds of the City. The Golf Course Fund is considered a non-major fund, but because it is the only non-major fund, it is reported along with the major funds.

Notes to the Financial Statements. The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements also present certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Other Information. In addition to the basic financial statements and accompanying notes, the City of Gainesville adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund, as well as the other governmental funds, to demonstrate compliance with budget. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to financial statements. Also included is a statistical section, which is the chief source of information regarding the government's economic condition. The statistical section is organized into five areas: Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic Information and Operating Information.

Government-Wide Financial Analysis

Total assets of the City at September 30, 2013, were \$71,253,455, deferred outflows of resources were \$930,286, while total liabilities were \$37,603,143, resulting in a net position balance of \$34,580,598 (pages 7 and 23). This is a 18.8% increase from the prior fiscal year and is mainly due to an increase in capital assets, specifically a water park, brand new fire truck and capitalization of the stormwater portion of the Pecan Creek Project. At the end of FY 2013, net position for the City of Gainesville had increased not only for the government as a whole, but also for most of its separate governmental activities.

The City's total net position equals \$34,580,598. A portion of the net position, \$1,374,067 or 4.0% represents resources that are subject to external restrictions on how they may be used (page 7 and 23). The restricted net position has increased over the prior year by 3.5%. Capital assets (land, buildings, machinery, and equipment) net of related debt total \$12,497,692 or 36.1% of total net position, this represents an increase of \$7,425,387 or 146.4% compared to the prior year. The largest portion of the City's net position, \$20,708,839 or 59.8% of net position reflects unrestricted net position, which may serve the ongoing desires of its citizens.

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Amounts for FY 2012 in the schedules below have been modified to match the FY 2013 presentation. The following table reflects the condensed Statement of Net Position:

Net Assets

	Governmental Activities		Business Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$18,956,818	\$22,714,650	\$13,344,383	\$5,859,390	\$32,301,201	\$28,574,040
Capital assets	21,778,931	19,830,977	17,173,323	13,807,386	38,952,254	33,638,363
Total	40,735,749	42,545,627	30,517,706	19,666,776	71,253,455	62,212,403
Deferred Outflow of Resources	570,909	619,577	359,377	401,569	930,286	1,021,146
Long-term liabilities outstanding	16,673,279	20,576,229	15,033,734	7,519,334	31,707,013	28,095,563
Other liabilities	3,268,777	4,080,861	2,627,353	1,948,873	5,896,130	6,029,734
Total liabilities	19,942,056	24,657,090	17,661,087	9,468,207	37,603,143	34,125,297
Deferred Outflows of Resources:						
Invested in capital assets, net of related debt	4,700,543	(1,209,809)	7,797,149	6,282,114	12,497,692	5,072,305
Restricted	1,374,067	1,327,746	-	-	1,374,067	1,327,746
Unrestricted	15,289,992	18,390,177	5,418,847	4,318,024	20,708,839	22,708,201
Total net assets	\$21,364,602	\$18,508,114	\$13,215,996	\$10,600,138	\$34,580,598	\$29,108,252

City of Gainesville, Texas
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For the Year Ended September 30, 2013

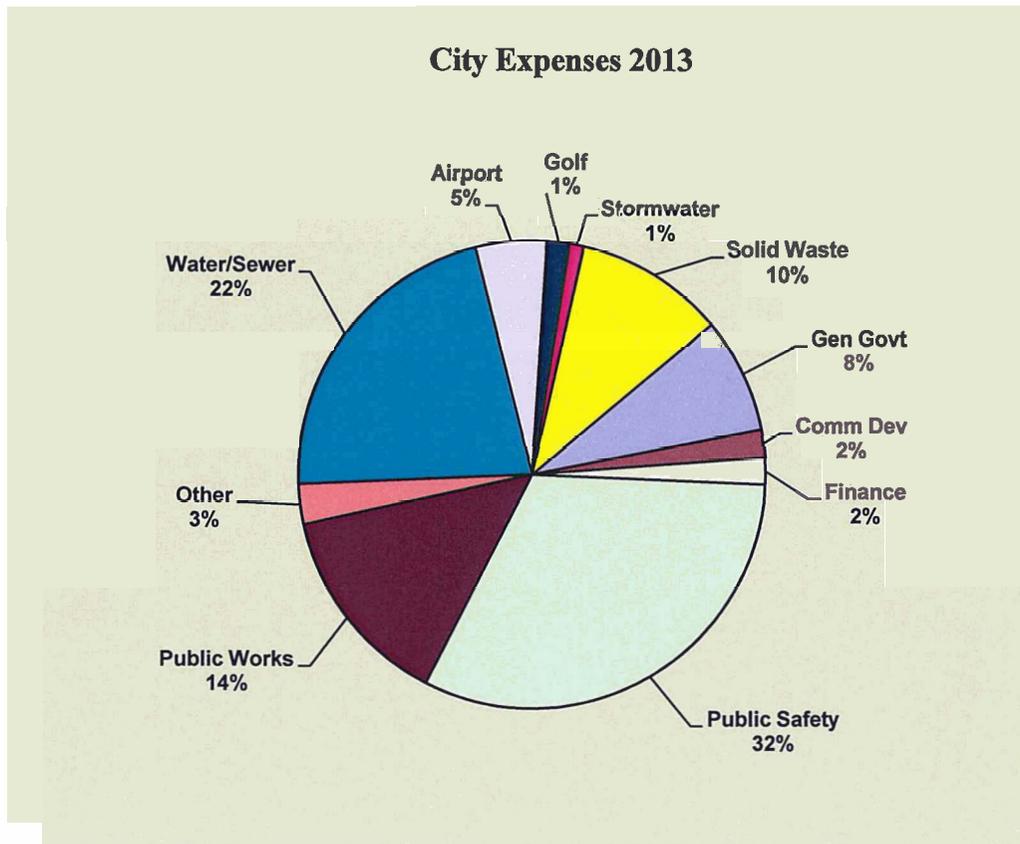
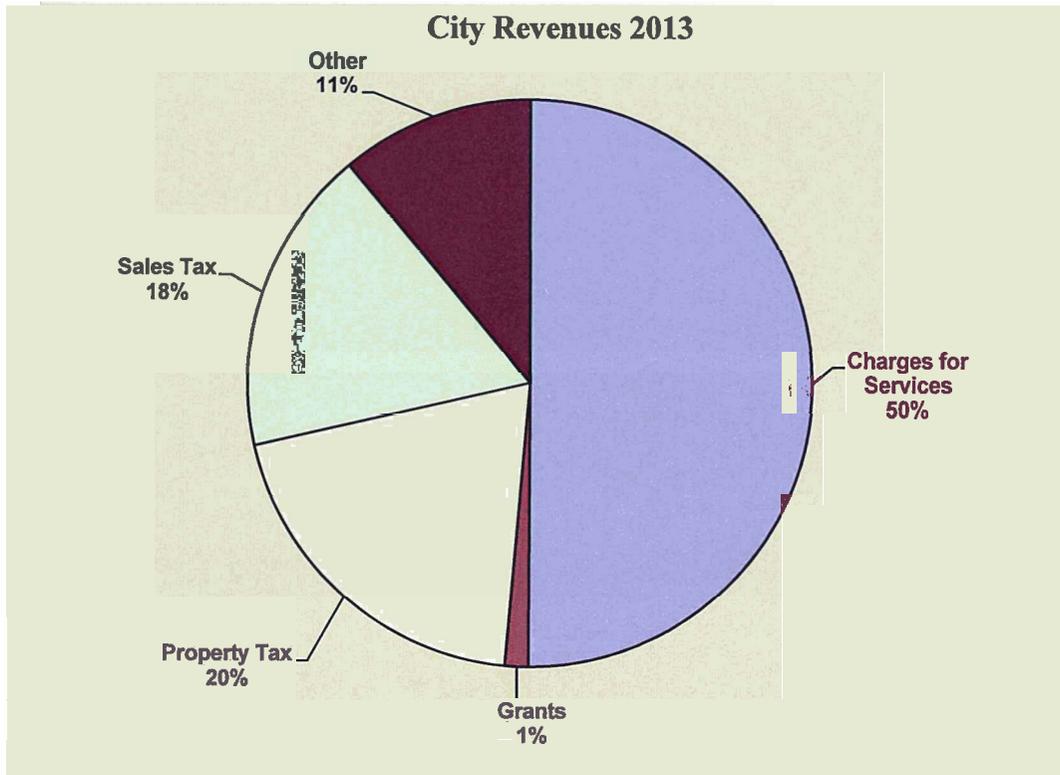
The following table provides a summary of the city's operations for year ended September 30, 2013. Overall, the city had an increase in net assets of \$5,472,346.

Changes in Net Assets

	Governmental Activities		Business Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Fines, fees, & charges for services	\$1,289,563	\$1,482,542	14,199,452	\$13,794,538	\$15,489,015	\$15,277,080
Operating grants & contributions	409,629	259,748	-	276,940	409,629	536,688
General revenues:						
Property taxes	6,186,065	5,501,785	-	-	6,186,065	5,501,785
Sales taxes	5,409,389	7,875,346	-	-	5,409,389	7,875,346
Other taxes & fees	1,954,504	1,993,321	-	-	1,954,504	1,993,321
Other misc.	465,333	501,450	1,005,292	4,832	1,470,625	506,282
Total revenues	15,714,483	17,614,192	15,204,744	14,076,310	30,919,227	31,690,502
Expenses:						
General Government	2,036,650	2,041,635	-	-	2,036,650	2,041,635
Community Development	488,974	375,589	-	-	488,974	375,589
Finance	462,758	406,189	-	-	462,758	406,189
Public safety	8,108,422	7,661,491	-	-	8,108,422	7,661,491
Public works	3,572,040	3,376,631	-	-	3,572,040	3,376,631
Interest on long term debt, Non Departmental and Bond Issuance Cost	703,793	645,952	-	-	703,793	674,442
Water & Sewer	-	-	5,532,425	5,702,158	5,532,425	5,702,158
Municipal Airport	-	-	1,254,272	1,382,253	1,254,272	1,382,253
Golf Course	-	-	387,220	424,085	387,220	424,085
Stormwater	-	-	261,470	224,248	261,470	224,248
Solid Waste	-	-	2,638,857	2,643,747	2,638,857	2,643,737
Total Expenses	15,372,637	14,507,487	10,074,244	10,376,481	25,446,881	24,883,968
Increase(decrease)in net assets before transfers	341,846	3,106,705	5,130,500	3,699,829	5,472,346	6,806,534
Transfers in(out)	2,514,642	2,339,314	(2,514,642)	(2,339,314)	-	-
Increase(decrease) in Net Assets	2,856,488	5,446,019	2,615,858	1,360,515	5,472,346	6,806,534
Net Assets 10/01	18,508,114	13,487,462	10,600,138	9,387,755	29,108,252	22,875,217
Prior Period Adjustment	-	(425,367)	-	(148,132)	-	(573,499)
Net Assets 09/30	\$21,364,602	\$18,508,114	\$13,215,996	\$10,600,138	\$34,580,598	\$29,108,252

**City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2013**

The following graphs provide a summary of the operations for the year ended September 30, 2013.



City of Gainesville, Texas
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Governmental Activities. The statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Both are prepared using the economic resources focus and the accruals of accounting, meaning that all the current year's revenues and expenses are included regardless of when cash is received or paid. Governmental-type activities include services largely funded through non-exchange revenues (taxes are the most common example).

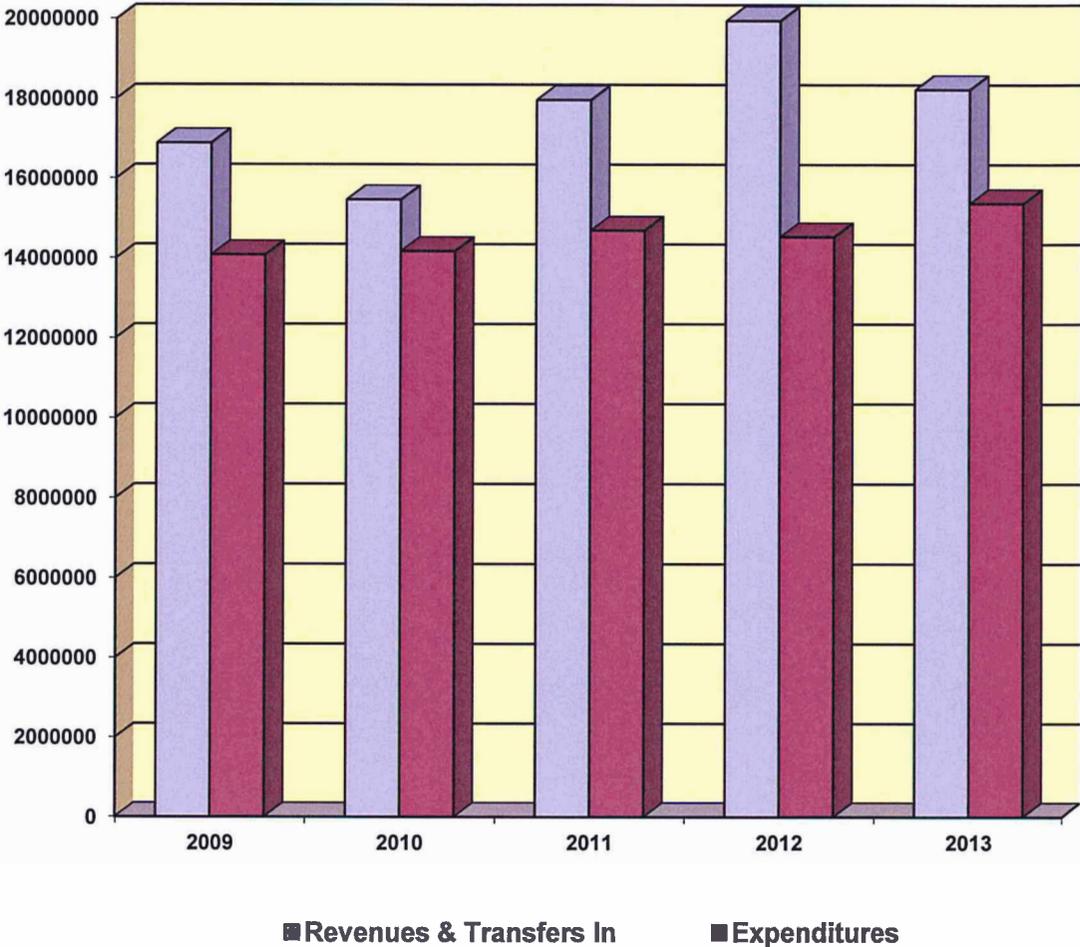
The City had an overall decrease in revenues of \$1,899,709 or 10.8% compared to the prior year. The primary reason for the year-to-year decline was a decrease in sales tax of \$2,465,957 or 31.3% (page 8). The high level of sales tax revenues in FY 2012 were an anomaly caused by two new companies in the City that were not anticipated to have (and did not have) these same high levels of sales in FY 2013. Other taxes like beverage and franchise taxes were down slightly, 0.7% and 2.2%, respectively. Service charges and licenses were up from budget 13.9% and 57.9% respectively. This large increase in licenses is due to the increase in the number and size of building permits for new construction and remodels within the City.

Total expenses for FY 2013 increased \$865,150 or 6.0% compared to the prior year.

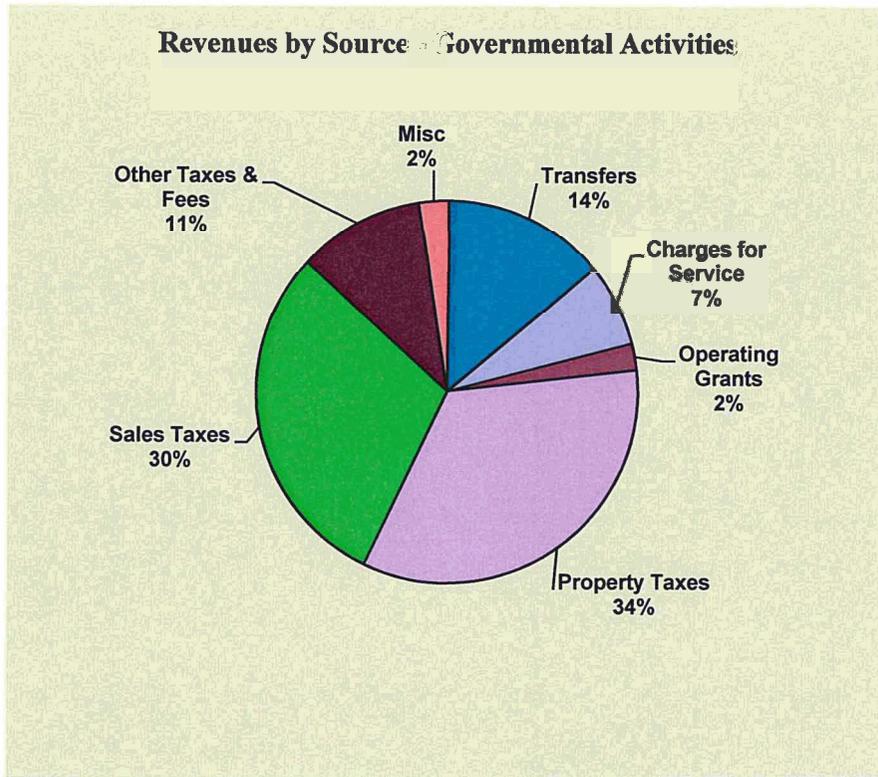
The net position of the governmental activities increased from the prior year by \$2,856,488, or 15.4% (page 8). This increase is mainly due to the improvement in revenues and increases in fund transfers. The following graph depicts the five year history of the expenses and revenues. In FY 2013, the City budgeted to spend \$2,254,213 of the excess revenue created by the large sales tax in FY 2012 for several capital projects including the new water park, aerial ladder fire truck, new offices for Community Services, generator for City Hall and a new roof on the Civic Center. The City still maintains a cash reserve of \$6,513,852 in the General Fund which equates to 172 days of operation.

City of Gainesville, Texas
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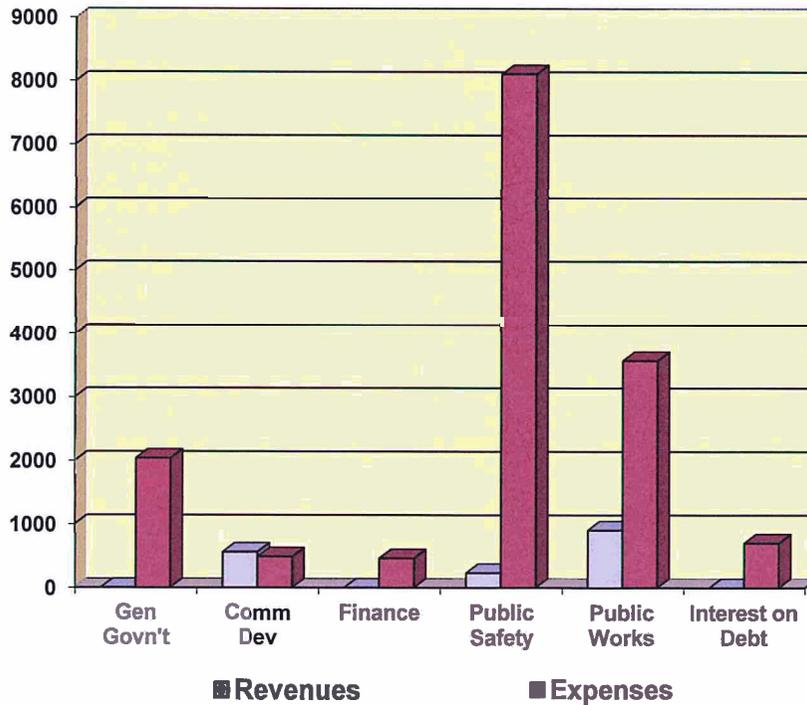
Governmental Activity
Five Year History



**City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2013**



**Expenses and Program Revenues
Governmental Activities
(In thousands)**

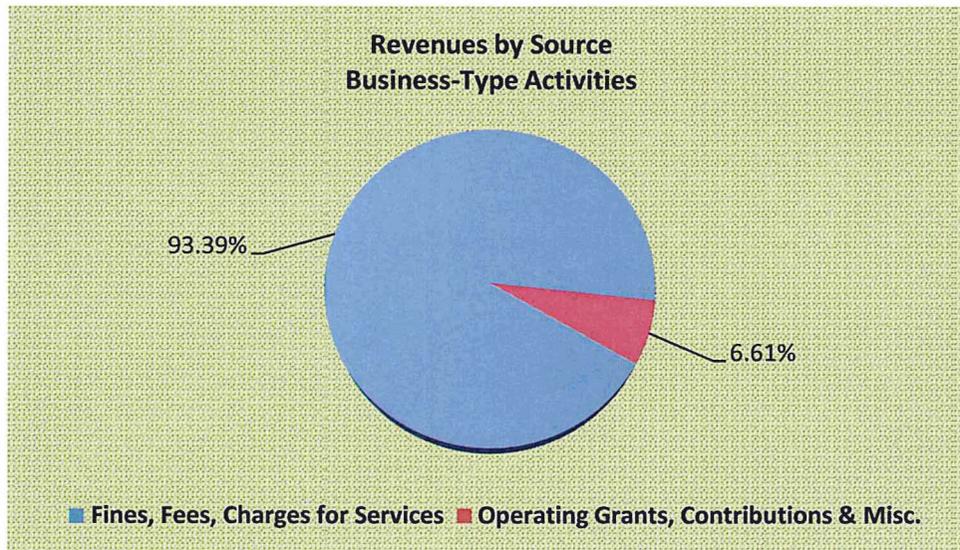


City of Gainesville, Texas
Management's Discussion and Analysis
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Business-Type Activities. Total business-type revenues increased \$1,128,434 or 8.0%, of this amount Charges for Services increased \$404,914 or 2.9%. The revenues of the Stormwater Fund increased \$50,711 or 5.3%. As a result of completing the City's portion of the Pecan Creek Project, assets were capitalized in the Stormwater Fund that created \$998,514 increase to net position (page 35). The revenues in the Golf Fund increased by \$96,104 or 126.2% because of increased play.

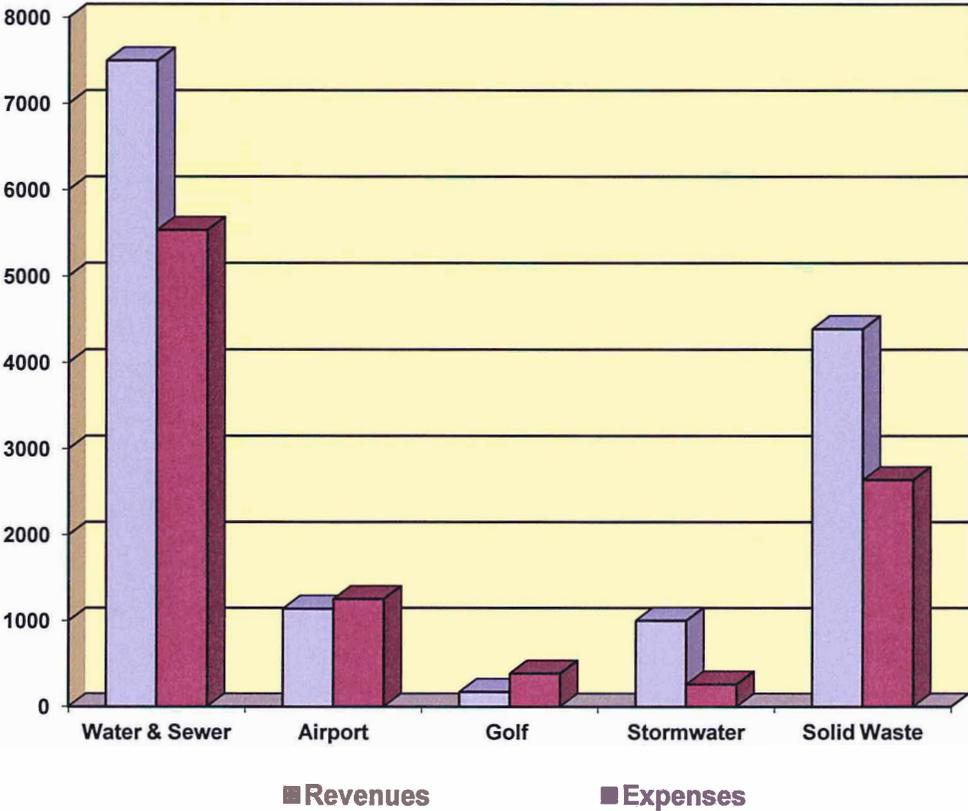
Total expenses decreased in FY 2013 by \$302,237 or 2.9%. The Airport, Water and Sewer and Golf Course Fund expenses decreased \$127,981 or 9.2%, \$169,723 or 3.0% and \$36,865 or 16.4% respectively.

The business type activity fund balances that increased are the Stormwater Fund by \$1,245,262 or 97.9%, Water & Sewer by \$605,260 or 12.9% and Solid Waste by \$742,898 or 7.2%. The business type activity fund balances that decreased are Golf and Airport, which decreased because of depreciation. The total net position of the business-type activities increased from the prior year \$2,486,057 or 23.2% (pages 8, 24 and 25).



City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Expenses and Program Revenues
Business-Type Activities
(In thousands)



City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Financial Analysis of the Government's Funds Statements

Governmental Funds. The focus of the City of Gainesville's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$17,070,155, a decrease from the prior year of \$2,697,800 or 13.6%.

In FY 2011, the City adopted GASB Statement No. 54, which redefines how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

- Non-spendable. Funds that cannot be spent either because they are not in a spendable form or they are legally or contractually required to be maintained intact.
- Restricted. Funds spent only for specific purposes because of City Charter or Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed. Funds that can be used only for specific purposes determined by a formal action by the City Council ordinance or resolution.
- Assigned. Funds that are designated by the management for specific purposes determined by a formal action of the City Council.
- Unassigned. All funds not included in other spendable classifications.

Approximately 42.3% or \$7,216,939 of the combined fund balances constitutes the unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is classified as follows: Non-spendable \$770, Restricted \$5,660,112 (33.2%), Committed \$1,374,067 (8.0%) and Assigned \$2,818,807 (16.5%) (pages 26-27).

The General Fund is the chief operating fund of the City. At the end of FY 2013, unassigned fund balance of the General Fund was \$7,216,399 (page 26), an increase from the prior year's unassigned fund balance of \$336,237 or 4.9%.

- Gainesville's cash reserves equaled 172 days of operating cash in the General Fund as of the end of FY 2013. The City established an assigned fund in FY 2012 with excess funds that were created from a large increase in sales tax. This fund was used to finance several projects such as the swimming pool and ladder truck in lieu of issuing debt. During FY 2013, the City was able to place an additional \$434,308 of surplus funds into this assigned fund, which will be used for additional projects in the city. Moreover, the City ended the year with \$5,512 more than budgeted.

Key factors in the increase in the General Fund balance are:

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2013

- The use of conservative budgeting for revenues and expenditures.
- Sales and property taxes exceeded budget by \$177,664 and \$400,687, respectively (page 32).
- Service charges, licenses and permits, fines and forfeitures and other revenues exceeded budget \$229,492.

Key factors in increases in other governmental funds are:

- The Debt Service Fund has a restricted fund balance of \$1,024,748 (page 26). This fund balance increased during the year by \$2,235 or 0.22%. The Debt Service fund is utilized for retirement of debt financed through taxes.
- The Hotel/Motel Fund is used to account for hotel occupancy tax revenues and expenditures and shows an ending restricted fund balance of \$768,661 (page 79). This reflects a \$166,727 or 27.7% fund balance increase from the prior year and \$145,621 more than budgeted (page 91). Gainesville anticipates this level of occupancy tax to decrease over the next few years because the casino has completed another hotel tower. Expenditures and transfers out of the Hotel/Motel Fund increased \$4,165 or 0.9%.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail (pages 34 through 39). Unrestricted net assets for proprietary funds include the Water and Sewer Fund \$3,132,489; the Solid Waste Fund \$1,789,742; Stormwater Utility Fund \$643,911; Golf Course Fund at a negative \$29,854; and the Municipal Airport Fund at a negative \$117,441. Total net position in the Water and Sewer Fund increased \$605,260 or 12.9%. Operating revenues decreased \$308,211 or 3.9% while operating expenses decreased \$315,686 or 5.7%. Total net assets in the Solid Waste Fund increased by \$742,898 or 71.8%. Operating revenues increased \$589,512 or 15.5%, while operating expenses increased \$2,922 or 0.01%. Total net assets in the Stormwater Utility Fund increased by \$1,245,262 or 97.9%. Operating revenues increased \$50,711 or 5.3%. operating expenses increased \$37,379 or 20.8%. Total net position in the Golf Course Fund decreased \$25,046 or 86.0%. The operating revenues for the Golf Fund increased \$96,104 or 126.2%. This increase in revenues is the result of recovering from devastating heat and drought during the summers of 2011 and 2012. Now that the greens are repaired, the number of rounds of golf played has increased. The Golf Fund operating expenses decreased \$36,609 or 8.8%. This decrease was from a reduction in personnel costs due to the retirement of two key individuals, a realignment of the department and improved purchasing practices within the department. The total net assets in the Municipal Airport Fund decreased by \$82,317 or 2.2%. Fuel sales were reduced \$300,142 or 20.8% compared to prior year. The operating expenses also reduced \$126,051 or 9.2% as a result purchasing less fuel and reduced mowing.

Business-type activities increased the City's net position by \$2,615,858. Three of the funds categorized as business-type activities experienced an increase in net position including Water and Sewer, Solid Waste and Stormwater and two of the funds (Airport and Golf Course) had a decrease in net position. The following are the key elements of these increases/decreases:

- The Solid Waste Fund increased total assets by \$742,898 or 71.9% primarily due to other income of insurance reimbursements of \$565,650 or 12.9%.

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2013

- The Water and Sewer Fund saw an increase in Current Assets of \$907,349 or 31.4% and a decrease in Capital Assets of \$479,642 or 8.5%, primarily due to routine depreciation.

The Stormwater Fund increased Capital Assets by \$3,773,846 or 189.7%. This increase is due to the capitalization of the FY 2008 debt for the Stormwater portion of the Pecan Creek Project. This project is expected to be completed in FY 2014.

The Municipal Airport decreased Total Net Position \$82,317, mainly due to depreciation.

- The Golf Course Total Net Position decreased \$25,046 due to a reduction of assets caused by routine depreciation. Over the last few years, funds have been transferred from the General Fund to the Golf Course Fund to bring the golf course to a positive level. This year the transfers to the Golf Fund were significantly lower.

General Fund Budgetary Highlights

The revenues in the original budget for FY 2013 were increased in the final budget by \$29,100 or 0.2%. The actual revenue total at year-end was more than the final budget by \$798,091 or 6.6%. The actual revenue finished greater than the final budget mainly due to higher than expected sales tax of \$400,687. Also, ad valorem tax, service charges and license and permits came in \$177,664, \$106,835 and \$87,198 respectively over the final budgeted figures.

The final budget for General Fund total expenditures was decreased from the original budget by \$305,628 or 2.1%. The Capital Outlay budget increased \$70,993. Decreases were made in fifteen of the twenty departments of the General Fund. The actual total expenditures for FY 2013 were \$603,802 or 4.2 % under the original budget and \$298,174 or 2.1% under the final budget. Capital projects ended over the final budget by \$64,297. All departments finished the year under the original and final budgets except the following: Finance, Inspections, Parks and Recreation and Zoo.

The \$7,217,169 actual ending fund balance is \$5,512 greater than the final budgeted amount and \$233,924 greater than the original budgeted amount. Again, sales tax and property tax collections and departmental efforts to reduce costs are the primary reasons fund balance ended greater than budgeted.

Capital Asset and Debt Administration

- **Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to \$38,952,254 net of accumulated depreciation (page 23). The investment in capital assets includes land, buildings, machinery and equipment, improvements and construction-in-progress. The City's capital assets increased \$5,313,891 or 15.8%. This increase is comprised from \$1,947,954 from the Governmental Activities and \$3,365,937 from the enterprise funds. The City's total investment in capital assets increased for the current fiscal year \$5,313,891 or 15.8% compared to the prior fiscal year.

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Major capital asset events during the current fiscal year included the following:

- The City has continued the radio read meter project in FY 2013. Approximately fifty seven percent (57%) of the City has the radio read meters at a cost of \$357,799 as of FY 2013.
- In March 2010 a study was completed for the implementation of the Street and Utility Maintenance Program (SUMP). Identified in this study were 401 individual street projects. Also included in this study were water, sewer and drainage utilities that might impact the streets. Certificates of Obligation for \$4,880,000 were issued in FY 2010 to pay for SUMP along with budgeted funds each fiscal year. In FY 2013, \$3,020,000 in Certificates of Obligation were issued to continue with the SUMP packages D and E. During FY 2013, we expended \$1,560,452 on SUMP projects (page 29).
- The City completed a crack seal project that began in FY 2011 at a cost of \$332,564.
- The City started construction on the expansion of the Moss Lake Water Treatment Plant and the Northwest Water Distribution Line. This is estimated to be a \$7,096,000 project.
- Work was completed in FY 2013 on the new outdoor aquatic center at a cost \$2,566,168.
- The Gainesville Fire Department purchased a new aerial ladder truck at a cost of \$750,000.
- The General Fund Street department and the Stormwater Fund spent \$187,362 on a street sweeper in FY 2013.
- The Stormwater Drainage Fund spent \$71,741 on a capital lease purchase for a new track loader.
- The Solid Waste Fund purchased a new front end loader for \$134,569 and a residential truck with a Scorpion ASL Unit for \$261,580, respectfully.

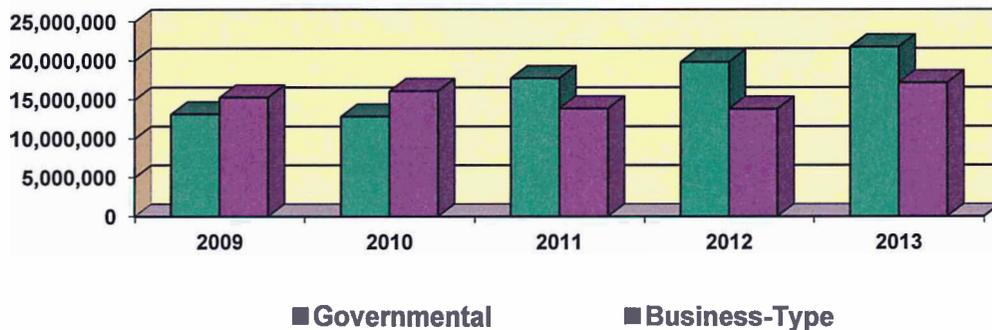
Additional information on the City's capital assets can be found in note III.D. (pages 53-56) of this report.

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2013

City of Gainesville
Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$1,008,493	\$920,036	\$477,261	\$509,299	\$1,928,529	\$1,429,335
Buildings	9,458,543	9,465,468	2,402,931	2,350,853	11,861,474	11,816,321
Improvements	84,424,929	79,286,074	24,663,853	24,341,054	109,088,782	103,627,128
Machinery & equipment	8,551,823	8,470,976	9,380,782	8,684,990	17,932,605	17,155,966
Construction in progress	4,913,148	6,993,679	6,669,365	3,005,408	11,585,513	9,999,087
Less accumulated depreciation	(86,578,005)	(85,305,256)	(26,420,869)	(25,084,218)	(112,998,874)	(110,389,474)
Total	\$21,778,931	\$19,830,977	\$17,173,323	\$13,807,386	\$38,952,254	\$33,638,363

Capital Assets
Five Year History



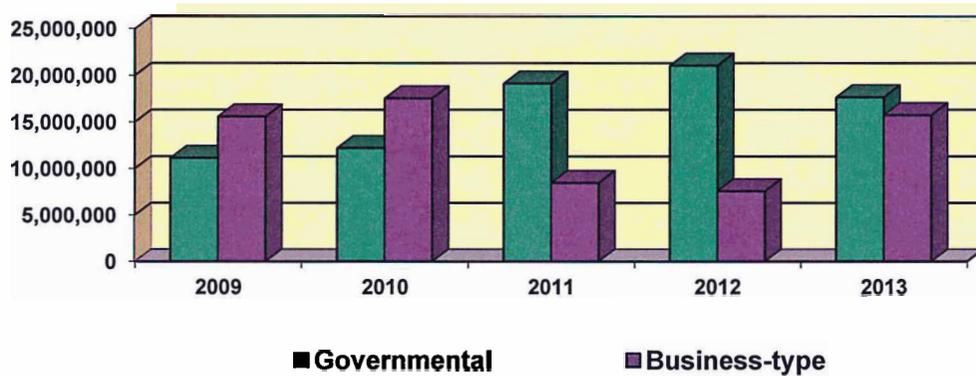
Long-Term Debt. As of September 30, 2013, the City of Gainesville had total debt outstanding of \$33,380,460 (see note III.F.). Of this amount, \$17,649,297 is in the Governmental Funds and \$15,731,163 is in the Business-Type Funds. The City's debt increased by \$3,743,607 or 12.6% during FY 2013. The increase in outstanding debt reflects the \$3,255,748 in scheduled debt payments in February and August 2013, retirement of old debt and new debt issued for improvements to the City wastewater treatment plant totaling \$5,730,000.

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2013

City of Gainesville
Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$9,520,375	12,988,904	\$8,632,275	\$6,561,202	\$18,152,650	\$19,550,106
Certificates of obligation bonds	8,031,096	8,608,621	6,473,904	1,006,199	14,505,000	9,614,820
Capital leases	65,908	62,841	419,984	204,086	185,892	266,927
Tax Notes payable	-	-	205,000	205,000	205,000	205,000
Total	\$17,649,297	\$21,660,366	\$15,731,163	\$7,976,487	\$33,380,460	\$29,636,853

Outstanding Debt
Five Year History



As of September 30, 2013, Moody's assigned the City's bond ratings at "A1". At the same time, Standard & Poor's assigned the City's bond ratings at "A+". The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on long-term debt.

Additional information on the City's long-term debt can be found in note III F of this report.

Economic Factors and Next Year's Budgets and Rates

The continued focus of the City of Gainesville is to maintain unassigned fund balances that match the City's established requirements and goals. Gainesville has been able to do this over the past several years, which has allowed the City to start refocusing some attention to capital improvements throughout the City using excess cash instead of debt.

General Fund

The major revenue source for the General Fund continues to be the City's 1.25-cent sales tax. The current economic situation in Gainesville is good with high levels of industrial sales. The City, however, uses trend analysis and eliminates anomalies (such as FY 2012) to budget sales tax revenues. This conservative budgeting approach should allow the City to meet the FY 2014

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2013

budget of \$5,490,000. The sales tax rebate budget has been reduced by \$132,000, because of an anticipated drop in industrial sales tax from companies that qualify for sales tax rebates.

The second largest revenue source for the General Fund is ad valorem (property) taxes. Gainesville was able to reduce the property tax rate by 0.001% in FY 2014 to remain at the effective rate. Based on the tax rate of \$0.6460 per \$100 of property value, the total ad valorem tax revenue (including delinquent penalties) is projected to increase over the FY 2013 budget by \$32,752 or 0.6%. Total ad valorem tax revenue (including delinquent penalties) is projected to be \$6,002,029. This is divided between the General Fund (\$4,114,778) and the Debt Service Fund (\$1,887,251).

The City's enterprise funds are the Water and Sewer Fund, Solid Waste Fund, Stormwater Drainage Utility Fund, Airport Fund and Golf Fund. Revenues for all enterprise funds are projected to increase by 1.45% compared to the FY 2013 budget.

Water and Sewer Fund

The FY 2014 revenues are estimated to be \$7,689,210 which includes an increase in fees of 3% for water and sewer services. A transfer of \$1,176,135 is made from the Water and Sewer Utility Fund to pay for the administrative services provided by the General Fund and to pay the franchise fee for use of City right-of-way, which is required from all utility services that are located in the City and is required by the City code. This transfer will be \$1,396,716 for FY 2014.

Expenses are projected to increase by \$781,159 or 11.4% in FY 2014 because of capital expenditures.

Solid Waste Fund

The FY 2014 revenues for the Solid Waste Fund are projected to slightly increase over the FY 2013 actual revenues. The FY 2014 expenditures are projected to increase primarily due to capital expenditures.

Other Funds

All other funds, Golf Course, Airport, and Stormwater Drainage are projected to increase revenues over the FY 2013 budget. Expenses in all other funds are projected to increase 2.0% over the FY 2014 budget.

Additional information

The FY 2014 budget includes a personnel "pay-for-performance" program. Moreover, the FY 2014 budget includes an increase in the step pay scale for the Fire and Police. The City increased the City match for retirement contributions from 10.60% to 10.77%. Gainesville is paying the full matching rate for Texas Municipal Retirement System (TMRS). This reduces the City's actuarial loss and limits the increase in the rate for future valuations.

All departments in the City continue to keep expenses to a minimum and maintain the highest level of safety, service and recreation to the citizens of Gainesville.

Capital projects for FY 2014 are projected to be \$2,184,181. These projects, which are funded with O & M Budgets, General Obligation and Certificates of Obligation bonds, a State Tribal Assistance Grant (STAG), a Texas Department of Transportation Grant, Texas Water

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Development Board Water Infrastructure Funds, Homeland Security Grants, Environmental Protection Agency Grant, Bullet Proof Vest Grant and lease purchase agreements, for FY 2014 include the following:

- The General Fund will purchase \$95,000 of computer technology for administration and police.
- The General Fund will procure \$499,000 of vehicles and machinery.
- The General Fund will invest \$151,303 on road maintenance and construction.
- The Water and Sewer fund is expending \$34,000 for new water and sewer mains.
- The Water and Sewer fund is purchasing heavy equipment and vehicles for \$450,000.
- The Solid Waste Department is purchasing \$212,000 in equipment and machinery.
- The Stormwater Department is purchasing equipment of \$97,705 to maintain the recently renovated Pecan Creek.
- The Peg Channel Fund is procuring \$30,000 in technology for Public Education Channels in the City.
- The Assigned Capital Fund will be spending \$680,000 on cameras and road improvements.
- Gainesville is continuing its \$7.88 million Street and Utility Maintenance Program (SUMP) this year using 2010 and 2012 Certificates of Obligation issuances. Packages A, B and Package Crack Seal 1 of the SUMP have been completed. Packages D, E and F are under construction.
- The City is moving forward on a \$7 million improvement to the Moss Lake Treatment Plant and Northwest Distribution System with a long-term contract from Greater Texoma Utility Authority.
- The waste water treatment plant will also be upgraded with a \$6 million bond during FY 2014.

City wide, every attempt has been made to use more technology to increase productivity and decrease personnel costs. Some examples of this are:

- The police and administrative departments budgeted \$70,000 and \$25,000, respectively for technology refresh and upgrade.
- Surveillance security video camera system will be installed at strategic locations in the City at a cost of \$600,000.
- The City will continue the implementation of automatic radio read meters for the water system at a cost of \$50,000 in FY 2014.
- In 2013, the City started training employees on Lean Six Sigma in order for them to improve efficiencies in City operations. This program has led to employees developing projects that have reduced waste throughout the City. This has enabled all employees to be active participants in creating a more efficient Gainesville.



Basic
Financial Statements

CITY OF GAINESVILLE, TEXAS
STATEMENT OF NET POSITION
September 30, 2013

	PRIMARY GOVERNMENT			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash	\$ 16,569,952	\$ 5,346,424	\$ 21,916,376	\$ 1,236,269
Internal Balances	-	-	-	-
Receivables (Net of Allowances for Uncollectibles)				
Taxes	1,150,087	-	1,150,087	198,612
Service	-	1,925,963	1,925,963	-
Other	1,236,009	76,384	1,312,393	82,603
Inventories	770	-	770	-
Total Current Assets	18,956,818	7,348,771	26,305,589	1,517,484
Noncurrent Assets:				
Restricted Assets				
Cash	-	5,995,612	5,995,612	-
Capital Assets (Net)	21,778,931	17,173,323	38,952,254	2,507,983
Total Noncurrent Assets	21,778,931	23,168,935	44,947,866	2,507,983
TOTAL ASSETS	40,735,749	30,517,706	71,253,455	4,025,467
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Loss on Refunding	570,909	359,377	930,286	-
LIABILITIES				
Current Liabilities:				
Accounts Payable	1,598,756	799,704	2,398,460	90,496
Accrued Expense	158,543	116,335	274,878	9,803
Interest Payable	86,454	122,733	209,187	-
Deposits	63,875	205,270	269,145	1,500
Current Portion-Long Term Debt	1,361,149	1,383,311	2,744,460	-
Total Current Liabilities	3,268,777	2,627,353	5,896,130	101,799
Noncurrent Liabilities:				
Accrued Compensated Absences	385,131	70,629	455,760	5,312
Postclosure Care Costs	-	615,253	615,253	-
Long-Term Debt	16,288,148	14,347,852	30,636,000	-
Total Noncurrent Liabilities	16,673,279	15,033,734	31,707,013	5,312
TOTAL LIABILITIES	19,942,056	17,661,087	37,603,143	107,111
NET POSITION				
Invested in Capital Assets, Net of Related Debt	4,700,543	7,797,149	12,497,692	2,507,983
Nonexpendable				
Restricted for Permanent Endowment	1,374,067	-	1,374,067	-
Unrestricted	15,289,992	5,418,847	20,708,839	1,410,373
TOTAL NET POSITION	\$ 21,364,602	\$ 13,215,996	\$ 34,580,598	\$ 3,918,356

The notes to the financial statements are an integral part of this statement.

CITY OF GAINESVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

FUNCTIONS/ACTIVITY	PROGRAM REVENUES			NET (EXPENSE) REVENUES AND CHANGES IN NET ASSETS PRIMARY GOVERNMENT			
	EXPENSES	FINES, FEES, AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
Primary Government:							
Governmental Activities							
General Government	\$ 2,036,650	\$ -	\$ -	\$ (2,036,650)	\$ -	\$ (2,036,650)	\$ -
Community Development	488,974	560,554	-	71,580	-	71,580	-
Finance	462,758	-	-	(462,758)	-	(462,758)	-
Public Safety	8,108,422	123,184	109,629	(7,875,609)	-	(7,875,609)	-
Public Works	3,572,040	605,825	300,000	(2,666,215)	-	(2,666,215)	-
Interest on Long-Term Debt	703,793	-	-	(703,793)	-	(703,793)	-
Total Governmental Activities	15,372,637	1,289,563	409,629	(13,673,445)	-	(13,673,445)	
Business-Type Activities							
Water and Sewer	5,532,425	7,494,981	-	-	1,962,556	1,962,556	-
Municipal Airport	1,254,272	1,141,161	-	-	(113,111)	(113,111)	-
Golf Course	387,220	172,214	-	-	(215,006)	(215,006)	-
Stormwater	261,470	1,003,269	-	-	741,799	741,799	-
Solid Waste	2,638,857	4,387,827	-	-	1,748,970	1,748,970	-
Total Business-Type Activities	10,074,244	14,199,452	-	-	4,125,208	4,125,208	
Total Primary Government	\$ 25,446,881	\$ 15,489,015	\$ 409,629	\$ (13,673,445)	\$ 4,125,208	\$ (9,548,237)	\$ -
Component Unit:							
Gainesville Economic Development Corp.	\$ 1,596,101	\$ 370,438	\$ -	\$ -	\$ -	\$ -	\$ (1,225,663)
General Revenues:							
Taxes							
Property Taxes	\$ 6,186,065	\$ -	\$ -	\$ 6,186,065	\$ -	\$ 6,186,065	\$ -
Sales Taxes	5,409,389	-	-	5,409,389	-	5,409,389	1,204,379
Franchise Taxes	1,273,521	-	-	1,273,521	-	1,273,521	-
Occupancy Taxes	652,186	-	-	652,186	-	652,186	-
Mixed Beverage Taxes	28,797	-	-	28,797	-	28,797	-
Investment Income	26,219	-	6,778	-	6,778	32,997	3,799
Gain (Loss) on Disposal of Assets	(27,509)	-	-	-	-	(27,509)	-
Miscellaneous	466,623	-	-	466,623	998,514	1,465,137	-
Transfers In (Out) between Governmental and Business-Type Activities	2,514,642	(2,514,642)	-	-	-	-	-
Total General Revenues and Transfers	16,529,933	(1,509,350)	-	16,529,933	(1,509,350)	15,020,583	\$ 1,208,178
Change in Net Assets	2,856,488	2,615,858	5,472,346	2,856,488	2,615,858	5,472,346	(17,485)
Net Position-Beginning of Year, as previously reported	18,904,991	10,729,939	29,634,930	18,904,991	10,729,939	29,634,930	3,935,841
Prior Period Adjustment	(396,877)	(129,801)	(526,678)	(396,877)	(129,801)	(526,678)	-
Net Position-Beginning of Year, as restated	18,508,114	10,600,138	29,108,252	18,508,114	10,600,138	29,108,252	3,935,841
Net Position-End of Year	\$ 21,364,602	\$ 13,215,996	\$ 34,580,598	\$ 21,364,602	\$ 13,215,996	\$ 34,580,598	\$ 3,918,356

The notes to the financial statements are an integral part of this statement.

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CITY OF GAINESVILLE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	MAJOR FUNDS			ASSIGNED GENERAL CAPITAL	OTHER GOVERNMENTAL FUNDS	TOTAL
	GENERAL FUND	DEBT FUND CAPITAL	STREET UTILITY MAINTENANCE			
ASSETS:						
Cash	\$ 6,513,852	\$ 1,024,748	\$ 3,832,378	\$ 2,548,458	\$ 2,650,516	\$ 16,569,952
Restricted Cash	-	-	-	-	-	-
Receivables (Net of Allowances for Uncollectibles)						
Taxes	1,099,678	50,409	-	-	-	1,150,087
Other	756,544	-	-	-	479,465	1,236,009
Inventory	770	-	-	-	-	770
Due from Component Unit	-	-	-	-	-	-
Interfund Receivable	420,000	-	-	-	-	420,000
TOTAL ASSETS	<u>8,790,844</u>	<u>1,075,157</u>	<u>3,832,378</u>	<u>2,548,458</u>	<u>3,129,981</u>	<u>19,376,818</u>
LIABILITIES:						
Accounts Payable	\$ 961,177	\$ -	\$ 72,338	\$ 8,000	\$ 182,241	\$ 1,223,756
Accrued Expenses	158,543	-	-	-	-	158,543
Funds Held for Others	63,875	-	-	-	-	63,875
Interfund Payable	-	-	-	-	420,000	420,000
TOTAL LIABILITIES	<u>1,183,595</u>	<u>-</u>	<u>72,338</u>	<u>8,000</u>	<u>602,241</u>	<u>1,866,174</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenue-Property Tax	390,080	50,409	-	-	-	\$ 440,489
FUND BALANCES:						
Nonspendable:						
Inventories	770	-	-	-	-	770
Restricted:						
Debt Service	-	1,024,748	-	-	-	1,024,748
Construction	-	-	3,760,040	-	-	3,760,040
Tourism and the Arts	-	-	-	-	768,661	768,661
Other	-	-	-	-	106,663	106,663
Committed:						
Cemetery	-	-	-	-	1,374,067	1,374,067
Assigned:						
Stanford House	-	-	-	-	206,429	206,429
Construction	-	-	-	-	48,354	48,354
Other	-	-	-	2,540,458	23,566	2,564,024
Unassigned	<u>7,216,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,216,399</u>
TOTAL FUND BALANCES	<u>7,217,169</u>	<u>1,024,748</u>	<u>3,760,040</u>	<u>2,540,458</u>	<u>2,527,740</u>	<u>17,070,155</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 8,790,844</u>	<u>\$ 1,075,157</u>	<u>\$ 3,832,378</u>	<u>\$ 2,548,458</u>	<u>\$ 3,129,981</u>	<u>\$ 19,376,818</u>

The notes to the financial statements are an integral part of this statement

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CITY OF GAINESVILLE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
September 30, 2013

Total Fund Balance - Total Governmental Funds \$ 17,070,155

Amounts reported for governmental activities in the statement of net assets are different because of the following:

Taxes and municipal court fines are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	440,489
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet; net of accumulated depreciation of \$86,633,023.	21,778,930
Interest payable on long-term debt does not require current financial resources therefore, interest payable is not reported as a liability on the governmental funds balance sheet.	(86,454)
Certificates of obligation and bonds payable are not reported as liabilities in the governmental fund balance sheet. This amount represents total noncurrent liabilities related to governmental activities.	(17,583,387)
Costs associated with long term debt are not reported in the governmental funds balance sheets.	
Bond Issuance Costs	
Deferred Loss on Early Extinguishment of Debt	570,909
Premium on Bonds	(65,909)
Compensated absences are not reported as liabilities in the governmental fund balance sheet.	(760,131)
Net Assets of Governmental Activities	<u><u>\$ 21,364,602</u></u>

CITY OF GAINESVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	MAJOR FUNDS			ASSIGNED GENERAL CAPITAL	OTHER GOVERNMENTAL FUNDS	TOTAL
	GENERAL	DEBT SERVICE FUND	STREET UTILITY MAINTENANCE			
REVENUES:						
Taxes						
Ad Valorem Taxes	\$ 4,391,759	\$ 1,808,892	\$ -	\$ -	\$ -	\$ 6,200,651
Sales Taxes	5,409,389	-	-	-	-	5,409,389
Franchise Tax	1,273,521	-	-	-	-	1,273,521
Occupancy Tax	-	-	-	-	652,186	652,186
Mixed Beverage Tax	28,797	-	-	-	-	28,797
Service Charges	875,758	-	-	-	20,664	896,422
License & Permits	237,798	-	-	-	32,159	269,957
Fines & Forfeitures	279,354	-	-	-	21,902	301,256
Investment Income	9,697	1,416	5,186	235	9,686	26,220
Intergovernmental Revenues	109,629	-	-	-	300,000	409,629
Other Income	199,474	19,440	-	1,035,994	186,899	1,441,807
TOTAL REVENUES	12,815,176	1,829,748	5,186	1,036,229	1,223,496	16,909,835
EXPENDITURES:						
Current						
General Government	1,320,317	87,103	-	8,000	276,083	1,691,503
Community Development	439,962	-	-	-	-	439,962
Finance	445,875	-	-	-	-	445,875
Public Safety	7,595,131	-	-	-	26,785	7,621,916
Public Works	2,958,280	-	-	-	23,037	2,981,317
Non Departmental	-	-	-	-	-	-
Debt Service						
Principal	-	1,375,923	-	-	-	1,375,923
Interest	-	741,728	-	-	-	741,728
Bond Issuance Costs	-	-	-	-	-	-
Capital Outlay	1,095,306	-	1,560,452	1,224,672	2,943,623	6,824,053
TOTAL EXPENDITURES	13,854,871	2,204,754	1,560,452	1,232,672	3,269,528	22,122,277
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,039,695)	(375,006)	(1,555,266)	(196,443)	(2,046,032)	(5,212,442)
OTHER FINANCING SOURCES (USES):						
Funds Transferred In	2,686,227	421,696	-	2,738,521	647,034	6,493,478
Funds Transferred Out	(3,563,738)	(44,455)	-	(1,620)	(369,023)	(3,978,836)
TOTAL OTHER FINANCING SOURCES (USES):	(877,511)	377,241	-	2,736,901	278,011	2,514,642
NET CHANGE IN FUND BALANCES	(1,917,206)	2,235	(1,555,266)	2,540,458	(1,768,021)	(2,697,800)
FUND BALANCE - October 1	9,134,375	1,022,513	5,315,306	-	4,295,761	19,767,955
FUND BALANCE - September 30	\$ 7,217,169	\$ 1,024,748	\$ 3,760,040	\$ 2,540,458	\$ 2,527,740	\$ 17,070,155

The notes to the financial statements are an integral part of this statement

The notes to the financial statements are an integral part of this statement

CITY OF GAINESVILLE, 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, 2013

Net Change in Fund Balances - Total Governmental Funds \$ (2,697,800)

Amounts reported for governmental activities in the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the government-wide statement of net assets in the current period. 6,824,053

Amortization of costs associated with debt are reported in the government-wide financial statements but not governmental funds as it does not require the use of current financial resources. The current year amortization on these costs are:

Bond issuance cost	-
Amortization of Loss on Early Extinguishment of Debt	(48,668)
Amortization of Bond Premium	7,013

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. (1,245,274)

Compensated absences are accrued on the government-wide statement of net assets but do not require the use of current financial resources. The current period change in compensated absences is reported in the government-wide statement of activities and changes in net assets. The current period net increase in compensated absences is not reported as expenditures in governmental funds. (201,342)

Accrued interest expense on long-term debt is reported in the government-wide financial statements but not governmental funds as it does not require the use of current financial resources; therefore, this is the current period change in accrued interest expense. 37,935

The City's practice is to all aspects of a project in a designated capital projects fund until completion. During the current fiscal year, the Pecan Creek Project was completed and the assets and debt associated with this project were moved to the appropriate fund. The net effect of this entry was to decrease the governmental funds (1,002,693)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This is the amount by which debt proceeds of \$-0- exceeds repayments of principal of \$1,375,923. 1,375,923

Taxes & municipal court fines in the statement of activities do not provide current financial resources therefore, these are not reported as revenues in governmental funds. (192,659)

Change in Net Assets of Governmental Activities \$ 2,856,488

The notes to the financial statements are an integral part of this statement

CITY OF GAINESVILLE, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

REVENUES:	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Ad Valorem Taxes	\$ 4,214,095	\$ 4,214,095	\$ 4,391,759	\$ 177,664
Sales Taxes	5,008,702	5,008,702	5,409,389	400,687
Franchise Tax	1,282,007	1,282,007	1,273,521	(8,486)
Mixed Beverage Tax	30,073	30,073	28,797	(1,276)
Service Charges	768,923	768,923	875,758	106,835
License & Permits	150,600	150,600	237,798	87,198
Fines & Forfeitures	409,650	408,900	279,354	(129,546)
Investment Income	8,000	8,000	9,697	1,697
Intergovernmental Revenues	10,500	10,500	109,629	99,129
Other Income	105,445	135,295	199,474	64,179
TOTAL REVENUES	11,987,995	12,017,095	12,815,176	798,081
EXPENDITURES:				
Current				
General Government				
Administration	534,442	529,570	520,137	9,433
Human Resources	162,512	161,992	160,406	1,586
Main Street Operations	47,113	42,263	39,385	2,878
Building Operations	112,904	112,004	88,298	23,706
Public Assistance Programs	41,575	41,575	41,575	-
Municipal Court	321,191	317,791	315,867	1,924
Civic Center Operations	170,642	169,082	154,649	14,433
Total General Government	1,390,379	1,374,277	1,320,317	53,960
Community Development				
Planning and Zoning	137,506	133,506	129,903	3,603
Inspections	293,460	293,460	310,059	(16,599)
Total Community Development	430,966	426,966	439,962	(12,996)
Finance	425,527	425,399	445,875	(20,476)
Public Safety				
Police	4,458,694	4,445,944	4,254,054	191,890
Emergency Management	28,755	28,055	23,569	4,486
Fire	3,395,211	3,394,411	3,317,508	76,903
Total Public Safety	7,882,660	7,868,410	7,595,131	273,279
Public Works				
Administration	66,843	122,143	73,503	48,640
Street Maintenance	891,803	888,803	854,601	34,202
Central Garage	199,949	198,949	170,779	28,170
Parks and Recreation Operations	819,147	634,222	661,211	(26,989)
Zoo Operations	1,003,560	938,250	957,621	(19,371)
Cemetery Operations	245,837	244,617	240,565	4,052
Total Public Works	3,227,139	3,026,984	2,958,280	68,704

The notes to the financial statements are an integral part of this statement.

CITY OF GAINESVILLE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Continued)

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
Non Departmental	-	-	-	-
Debt Service				
Principal				
Interest				
Capital Outlay	1,102,002	1,031,009	1,095,306	(64,297)
TOTAL EXPENDITURES	<u>14,458,673</u>	<u>14,153,045</u>	<u>13,854,871</u>	<u>298,174</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,470,678)</u>	<u>(2,135,950)</u>	<u>(1,039,695)</u>	<u>1,096,255</u>
OTHER FINANCING SOURCES (USES):				
Issuance of Debt	-	-	-	-
Funds Transferred In	2,719,947	2,679,947	2,686,227	6,280
Funds Transferred Out	(2,400,399)	(2,466,715)	(3,563,738)	(1,097,023)
TOTAL OTHER FINANCING SOURCES (USES)	<u>319,548</u>	<u>213,232</u>	<u>(877,511)</u>	<u>(1,090,743)</u>
NET CHANGE IN FUND BALANCES	<u>(2,151,130)</u>	<u>(1,922,718)</u>	<u>(1,917,206)</u>	<u>5,512</u>
FUND BALANCE - October 1	9,134,375	9,134,375	9,134,375	-
FUND BALANCE - September 30	<u>\$ 6,983,245</u>	<u>\$ 7,211,657</u>	<u>\$ 7,217,169</u>	<u>\$ 5,512</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GAINESVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2013

	WATER & SEWER	MUNICIPAL AIRPORT	SOLID WASTE	OTHER ENTERPRISE FUNDS		TOTAL
				STORMWATER	GOLF FUND	
ASSETS						
Cash	\$ 2,844,875	\$ 617	\$ 1,945,424	\$ 555,424	\$ 84	\$ 5,346,424
Receivables (Net of Allowances for Uncollectibles)						
Service	874,668	20,727	921,218	109,350	-	1,925,963
Other	76,240	-	-	-	144	76,384
Interfund Receivables	-	-	101,200	-	-	101,200
Total Current Assets	3,795,783	21,344	2,967,842	664,774	228	7,449,971
Noncurrent Assets:						
Restricted Assets:						
Cash	5,995,612	-	-	-	-	5,995,612
Interfund Receivables	-	-	-	-	-	-
Capital Assets (net)	5,179,193	3,993,109	2,135,138	5,763,608	102,275	17,173,323
Total Noncurrent Assets	11,174,805	3,993,109	2,135,138	5,763,608	102,275	23,168,935
TOTAL ASSETS	14,970,588	4,014,453	5,102,980	6,428,382	102,503	30,618,906
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Loss on Refunding	174,905	13,835	100,228	63,597	6,812	359,377
LIABILITIES						
Current Liabilities:						
Accounts Payable	270,743	31,861	478,653	5,000	13,447	799,704
Accrued Expense	61,542	3,228	38,173	3,632	9,760	116,335
Interfund Payables	-	101,000	-	-	200	101,200
Interest Payable	99,910	1,402	11,090	9,952	379	122,733
Customer Deposits	197,202	-	7,993	75	-	205,270
Capital Leases Payable-Current Portion	-	-	-	173,540	-	173,540
Revenue Bonds Payable-Current Portion	563,634	37,831	357,181	245,456	5,669	1,209,771
Total Current Liabilities	1,193,031	175,322	893,090	437,655	29,455	2,728,553
Noncurrent Liabilities:						
Accrued Compensated Absences	33,897	1,294	26,938	2,204	6,296	70,629
Postclosure Care Costs Payable	-	-	615,253	-	-	615,253
Capital Leases Payable	-	-	-	72,902	-	72,902
Revenue Bonds Payable	8,617,407	233,948	1,891,627	3,462,484	69,484	14,274,950
Total Noncurrent Liabilities	8,651,304	235,242	2,533,818	3,537,590	75,780	15,033,734
TOTAL LIABILITIES	9,844,335	410,564	3,426,908	3,975,245	105,235	17,762,287
NET POSITION						
Invested in Capital Assets, Net of Related Debt	2,168,669	3,735,165	(13,442)	1,872,823	33,934	7,797,149
Unrestricted	3,132,489	(117,441)	1,789,742	643,911	(29,854)	5,418,847
TOTAL NET POSITION	\$ 5,301,158	\$ 3,617,724	\$ 1,776,300	\$ 2,516,734	\$ 4,080	\$ 13,215,996

The notes to the financial statements are an integral part of this statement.

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CITY OF GAINESVILLE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	WATER & SEWER	MUNICIPAL AIRPORT	SOLID WASTE	OTHER ENTERPRISE FUNDS		TOTAL
				STORMWATER	GOLF FUND	
OPERATING REVENUES						
Charges for Services	\$ 7,436,677	\$ 1,057,244	\$ 3,740,565	\$ 1,003,269	\$ 172,174	\$13,409,929
Other Income	58,304	83,917	647,262	-	40	789,523
TOTAL OPERATING REVENUES	<u>7,494,981</u>	<u>1,141,161</u>	<u>4,387,827</u>	<u>1,003,269</u>	<u>172,214</u>	<u>14,199,452</u>
OPERATING EXPENSES						
Salaries and Benefits	1,643,938	112,532	680,110	91,047	235,777	2,763,404
Supplies, Materials, Repair and Maintenance	740,423	822,396	401,711	60,227	53,093	2,077,850
Heat, Light and Power	513,746	19,170	10,642	-	23,846	567,404
Lease Payments	993,451	14,400	-	-	-	1,007,851
Other	538,567	26,676	1,123,492	-	41,555	1,730,290
Depreciation	787,813	245,558	268,671	66,185	29,290	1,397,517
TOTAL EXPENSES	<u>5,217,938</u>	<u>1,240,732</u>	<u>2,484,626</u>	<u>217,459</u>	<u>383,561</u>	<u>9,544,316</u>
OPERATING INCOME (LOSS)	<u>2,277,043</u>	<u>(99,571)</u>	<u>1,903,201</u>	<u>785,810</u>	<u>(211,347)</u>	<u>4,655,136</u>
NONOPERATING REVENUES (EXPENSES)						
Reevaluation of Postclosure Care Costs	-	-	(50,360)	-	-	(50,360)
Amortization of Bond Premium	(10,650)	(1,689)	(8,948)	(4,239)	(564)	(26,090)
Bond Issuance Costs	(93,330)	-	-	-	-	(93,330)
Other	-	-	-	998,514	-	998,514
Investment Income	4,183	13	2,023	559	-	6,778
Interest Expense	(210,507)	(11,851)	(94,923)	(39,772)	(3,095)	(360,148)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(310,304)</u>	<u>(13,527)</u>	<u>(152,208)</u>	<u>955,062</u>	<u>(3,659)</u>	<u>475,364</u>
INCOME BEFORE TRANSFERS	<u>1,966,739</u>	<u>(113,098)</u>	<u>1,750,993</u>	<u>1,740,872</u>	<u>(215,006)</u>	<u>5,130,500</u>
TRANSFERS						
Transfers In	-	35,186	-	-	201,303	236,489
Transfers Out	(1,315,378)	-	(956,810)	(469,311)	(9,632)	(2,751,131)
NET TRANSFERS	<u>(1,315,378)</u>	<u>35,186</u>	<u>(956,810)</u>	<u>(469,311)</u>	<u>191,671</u>	<u>(2,514,642)</u>
CHANGE IN NET POSITION	651,361	(77,912)	794,183	1,271,561	(23,335)	2,615,858
NET POSITION, OCTOBER 1, AS PREVIOUSLY REPORTED	4,695,898	3,700,041	1,033,402	1,271,472	29,126	10,729,939
PRIOR PERIOD ADJUSTMENT	(46,101)	(4,405)	(51,285)	(26,299)	(1,711)	(129,801)
NET POSITION, OCTOBER 1, AS RESTATED	<u>4,649,797</u>	<u>3,695,636</u>	<u>982,117</u>	<u>1,245,173</u>	<u>27,415</u>	<u>10,600,138</u>
NET POSITION, SEPTEMBER 30	<u>\$ 5,301,158</u>	<u>\$ 3,617,724</u>	<u>\$ 1,776,300</u>	<u>\$ 2,516,734</u>	<u>\$ 4,080</u>	<u>\$13,215,996</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF GAINESVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	WATER AND SEWER FUND	MUNICIPAL AIRPORT	SOLID WASTE FUND	STORMWATER	OTHER ENTERPRISE FUND GOLF	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers	\$ 7,720,051	\$ 1,153,984	\$ 3,945,797	\$ 1,000,538	\$ 172,547	\$ 13,992,917
Payments to Suppliers for Goods and Services	(2,804,756)	(895,175)	(1,194,337)	(81,536)	(122,243)	(5,098,047)
Payments to Employees	(1,670,694)	(112,675)	(661,915)	(93,025)	(226,558)	(2,764,867)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	3,244,601	146,134	2,089,545	825,977	(176,254)	6,130,003
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers In	-	35,186	-	-	201,303	236,489
Transfers Out	(1,315,378)	-	(956,810)	(469,311)	(9,632)	(2,751,131)
Payments Made on Loans from Other Funds	-	(37,000)	-	-	-	(37,000)
Receipts From Loans from Other Funds	-	-	-	-	200	200
Payments Received on Loans to Other Funds	-	-	36,800	-	-	36,800
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(1,315,378)	(1,814)	(920,010)	(469,311)	191,871	(2,514,642)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	(261,677)	(87,218)	(516,967)	(16,250)	(11,068)	(893,180)
Proceeds from Debt Issuance	6,108,397	-	-	-	-	6,108,397
Payment of Bond Issuance Costs	(93,330)	-	-	-	-	(93,330)
Payment of Postclosure Care Costs	-	-	(28,400)	-	-	(28,400)
Principal Paid on Bonds and Certificates of Obligation	(471,671)	(44,781)	(390,834)	(255,667)	(6,141)	(1,169,094)
Interest and Paying Agent Fees Paid on Bonds, Notes, and Certificates of Obligation	(127,924)	(12,106)	(96,823)	(42,377)	(3,126)	(282,356)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	5,153,795	(144,105)	(1,033,024)	(314,294)	(20,335)	3,642,037
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on Investments	4,183	14	2,026	559	-	6,782
Proceeds from Maturities of Investments	-	-	-	-	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	4,183	14	2,026	559	-	6,782
INCREASE (DECREASE) IN CASH DURING YEAR	7,087,201	229	138,537	42,931	(4,718)	7,264,180
CASH - October 1	1,753,286	388	1,806,887	512,493	4,802	4,077,856
CASH - September 30	\$ 8,840,487	\$ 617	\$ 1,945,424	\$ 555,424	\$ 84	\$ 11,342,036
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 2,277,043	\$ (99,571)	\$ 1,903,201	\$ 785,810	\$ (211,347)	\$ 4,655,136
Adjustments:						
Depreciation Expense	787,813	245,558	268,671	66,185	29,290	1,397,517
Change in Assets and Liabilities:						
Receivables, Net	221,619	12,823	(440,778)	(2,731)	333	(208,734)
Inventories	-	-	-	-	-	-
Accounts Payable	(18,606)	(12,533)	341,508	(21,309)	(3,749)	285,311
Accrued Expense	(3,244)	(143)	18,195	(1,978)	9,219	22,049
Customer Deposits	(20,024)	-	(1,252)	-	-	(21,276)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 3,244,601	\$ 146,134	\$ 2,089,545	\$ 825,977	\$ (176,254)	\$ 6,130,003
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Capital Assets Acquired with Capital Lease	\$ -	\$ -	\$ -	\$ 209,450	\$ -	\$ 209,450

The notes to the financial statements are an integral part of this statement.

The notes to the financial statements are an integral part of this statement.

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Gainesville, Texas (the City) is a political subdivision and municipal corporation of the State of Texas (State), organized and existing under the laws of the State, including the City's Home Rule Charter. The City operates under a City Council/Manager form of government. The City Council is comprised of the Mayor and six City Council Members who are elected for staggered two-year terms. The City Council formulates operating policy for the City while the City Manager is the Chief Administrative Officer.

The services provided by the City are diverse. The City's services include, but are not limited to, the traditional local government responsibilities of public safety, streets and transportation, water and wastewater, solid waste collection and disposal, storm water utility services, environmental health, parks and recreation leisure services, and a general aviation airport. The respective fund financial statements and budgets (where legally adopted) of these multi-faceted services are all included in the City's financial "reporting entity" as more fully described in the immediately subsequent section of this note and the City's government-wide financial statements.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for the local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants, in the publication entitled, "Audits of State and Local Governmental Units", and by the Financial Accounting Standards Board (FASB) when applicable.

B. Financial Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government: City of Gainesville
Discrete Component Unit: Gainesville Economic Development Corporation (GEDC)

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as discretely presented component units with 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 their own 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 and
- There is fiscal dependency by the organization on the City.

These factors make the organization meet the criteria for being presented as a discretely presented component unit.

Discretely Presented Component Units

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending.

The component unit that is discretely presented into the reporting activity type of the City's report is presented below:

Gainesville Economic Development Corporation, Inc. – The purpose of the Gainesville Economic Development Corporation, Inc. (GEDC) is to promote economic development within the City by encouraging, developing, and providing financing for manufacturing, industrial, and retail or commercial operations. The primary source of revenue is a sales and use tax specified in the Texas Development Corporation Act of 1979, which is remitted to the City by the State of Texas and which is then allocated to the GEDC fund. The City provides administrative support to the GEDC for which it is reimbursed by the GEDC. The GEDC Board of Directors consists of seven members, appointed by the City Council, at least five of which may not be City officers, employees, or council members. A separate audit report is issued for the GEDC, a copy of which may be obtained by writing to 200 S. Rusk, Gainesville, TX, 76240.

Blended Component Units

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations. GAAP identify two conditions that call for blending a component unit: (1) when the primary government and the component unit substantively share a common governing body or (2) when the component unit provides services or benefits exclusively or almost exclusively to or for the benefit of the primary government.

Stanford Charitable Corp. – The Stanford Charitable Corp. (Stanford Corp.) was created to manage the operations and maintenance of the Stanford House, a senior citizens center that was constructed from funds provided by the Mattie Bell Stanford Charitable Trust. A Board of Directors comprised of the City's elected Council governs the Stanford Corp. An advisory board is responsible for decisions related to daily operations of the Stanford House. The Stanford Corp. is reported as a special revenue fund.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component unit. Activities for the primary government and its component unit are reported separately in the government-wide financial statements. For the most part, the effect of interfund activity between governmental activities and business-type activities has been eliminated in these statements. Interfund services provided and used are not eliminated in the process of consolidation.

Governmental activities are normally supported by property taxes, sales taxes, franchise fees, and grant revenues from the federal government and the State of Texas. Governmental activities are reported separately from *business-type activities*, which rely to a large extent on fees and charges for support. Significant revenues generated from business-type activities include charges to customers for water and wastewater services, golf course fees, airport-user charges, wastewater tap fees and reconnection fees.

The statement of activities reports the change in the City's net position from October 1, 2012 to September 30, 2013. This statement demonstrates the degree to which the direct expenses of a given function of government are offset by program revenues. Specifically, the City has identified the following functions of government: support services, public safety services, recreation and leisure services, development services, water and wastewater services, solid waste operations, stormwater services, municipal airport operations, and golf course operations. *Direct expenses* are those that are clearly

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

identifiable with a specific function of City government. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included with program revenues are reported instead as *general revenues* in the statement of activities.

In addition to the government-wide financial statements, the City also reports separate financial statements for major governmental funds and proprietary funds; these statements are classified as *fund financial statements*. The fund financial statements are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (or expenses). Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Funds are ordered into two distinct categories: governmental and proprietary. Information in the fund financial statements is reported on a major fund basis. The City conducts the calculation of major funds each year under the methods outlined in GASB Statement No. 34. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Nonmajor funds are reported in the aggregate and separately reported in the combining fund financial statements. The various funds are summarized by type in the fund financial statements.

The City reports the following major governmental funds at September 30, 2013:

General Fund – The General Fund is the primary operating fund of the City. This fund is used to account for all financial resources of the general government, except those that are required to be accounted for in another fund.

Debt Service Fund – This fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Street Utility Maintenance - This fund accounts for the street utility maintenance project.

Assigned General Capital - These funds are to be used for construction, improvements and purchase of capital assets.

The City reports the following major proprietary funds at September 30, 2013:

Water and Sewer Utility Fund – This fund accounts for water and wastewater system services provided for residents of the City, including administration, operations, maintenance, debt service, billing and collection.

Municipal Airport Utility Fund – This fund accounts for revenues and costs related to the operations of the City's municipal airport. Major sources of revenue for the airport are fuel sales and hangar rental.

Stormwater Utility Fund – This fund accounts for the costs related to management of the City's stormwater drainage system. Revenues are generated through fees charged to City residents on their monthly utility billing.

Solid Waste Utility Fund – This fund accounts for the operations of the City's refuse collection and disposal services. Revenues are generated through user charges. The City accrues for landfill closure and postclosure care costs .

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

D. Measurement Focus and Basis of Accounting

1. Governmental Funds

The City uses the *modified accrual* basis of accounting and the flow of *current financial resources* measurement focus for all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when both "measurable and available." Measurable means knowing, or being capable of calculating or estimating, the amount to be received.

Available means collectible within the current period or soon enough thereafter to pay current liabilities (generally 60 days). Also, under the modified accrual basis of accounting, expenditures (including capital outlay) are recorded in the period in which the related fund liability is incurred, except for general obligation bond principal and interest, which is recorded when due rather than when incurred.

Major revenue sources susceptible to accrual in the governmental funds include the following:

- Property taxes are billed and collected by the Cooke County Appraisal District (CCAD) based on assessed taxable values each January 1 as determined by the CCAD using exemptions approved by the City. Taxes are levied and due on the next October 1 and are past due after January 31 of the following year. Tax liens are automatic on January 1 for each year of tax levy. Property taxes receivable are recorded on October 1 when taxes are assessed with a reserve estimate for uncollectable. Property tax revenues are recorded as the taxes are collected. Delinquent tax payments are recognized as revenue when both measurable and available. Additional amounts estimated to be collectible in time to be a resource payment of obligations incurred during the fiscal year and, therefore, susceptible to accrual in accordance with General Accepted Accounting Principles have been recognized as revenue.
- Sales taxes are collected by the State and remitted to the City monthly in 60 days arrears. The City recognizes sales tax revenues when collected from the State. Additional amounts estimated to be collectible in time to be a resource payment of obligations incurred during the fiscal year and, therefore, susceptible to accrual in accordance with General Accepted Accounting Principles have been recognized as revenue. The City allocates its sales tax revenues to the General Fund and Gainesville Economic Development Fund pursuant to City ordinances and State statutes.
- Intergovernmental revenues are recognized when the qualifying expenditures are incurred and all other grant requirements have been met for reimbursement expenditure grants.

2. Proprietary Funds

The *accrual* basis of accounting and flow of *economic resources* measurement focus are used for the government-wide statements and in all proprietary fund types. Under the accrual basis of accounting, revenues are recognized when earned, and expenses (including depreciation) are recorded when the liability is incurred.

The accounting objectives are determination of net income, financial position and cash flows. On the government-wide and proprietary fund statements of net position, equity is segregated into (1) invested in capital assets, net of related debt; (2) restricted net position, and (3) unrestricted net position.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for water sales, utility charges, and municipal golf course fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Enterprise Funds – Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City Council is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the City Council has decided that periodic determination of revenues earned, expenses incurred and/or net income (loss), is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The enterprise funds of the City are classified as business-type activities in the government-wide statements of net position and activities.

Internal Service Funds – Internal service funds are used to account for the financing of goods or services provided by one department to other departments within the City on a cost-reimbursement basis. The City has no internal service funds.

E. Assets, Liabilities, Fund Balance/Net Position and Other

1. Deposits and Investments

Cash of all funds, including restricted cash, is pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month-end. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and local policies authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, the Texas Short-Term Asset Reserve Program (TexSTAR) and Texpool.

Investments for the City, as well as for its component units, are reported at fair value. TexSTAR and Texpool operate in accordance with appropriate state laws and regulations. The reported value of TexSTAR and Texpool is the same as the fair value of the pool shares.

2. Receivables and Payables

Accounts Receivable – Utility customers are billed monthly on a regular cycle basis as meters are read, or services are performed, with revenue recorded when customers are billed. The estimated unbilled revenue at September 30, 2013, was derived by taking the cycle billings that the City billed customers in October and prorating the amount of days applicable to the current year and recording the prorated amount as current year revenue. The total prorated amount is also recorded as accounts receivable at year-end.

Interfund Receivables/Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to" or "due from" other funds for the current portion of interfund loans or "advances to" or "advances from" other funds for the non-current portion of interfund loans. All other outstanding balances between funds are reported as "due to" or "due from" other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes – Property taxes attach an enforceable lien on property as of the prior January 1. Taxes are levied on October 1 and become delinquent after January 31. Property taxes are recorded as receivables and deferred revenues at the time the taxes are assessed. In governmental funds, revenues are recognized as the related *ad valorem* taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year, and therefore, susceptible to accrual in accordance with GAAP have been recognized as revenue. In the government-wide financial statements, the entire levy is recognized as revenue, net of estimated uncollectible amounts (if any) at the levy date.

CITY OF GAINESVILLE, TEXAS
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3. Inventories

Inventory is recorded at cost when purchased, with a corresponding reservation of fund balance shown for governmental fund-type inventories and charged to expenditures when consumed. General Fund supplies and materials inventory are recorded as expenditures on an actual specific cost basis. Inventories are stated at lower of cost or market, using the last-in, first-out method.

4. Capital Assets

Capital assets (i.e. land, buildings, equipment, improvements other than buildings, and construction in progress) of all funds are stated at historical cost or estimated historical cost if historical cost is not known. Donated capital assets are recorded at their fair market value on the date donated. An item is classified as an asset if the initial, individual cost is \$15,000 or greater. Capital assets of the City are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Assets subject to depreciation are depreciated using the straight-line method. The estimated useful lives of all depreciable assets are as follows:

Buildings, systems, and improvements	15-30 years
Machinery, vehicles, and other equipment	3-15 years
Furniture and fixtures	3-10 years
Infrastructure	25 years

5. Encumbrances

Encumbrance accounting is used for the governmental funds. Encumbrances are recorded when a purchase order is issued, and encumbrances are not considered expenditures until a liability for payment is incurred. Encumbrances outstanding at year-end are reported as a reservation of fund balance on the governmental funds' balance sheet for subsequent year expenditures and are generally re-appropriated in the subsequent year budgetary accounts. There were no outstanding encumbrances as of September 30, 2013.

6. Compensated Absences

Vacation Leave – All regular, full-time employees accrue vacation time. Regular part-time employees (employed on a year-round, part-time basis) that work at least 20 hours but less than 40 hours per week accrue benefits on a half-time basis. Employees are eligible for vacation time after six (6) full months of employment. Vacation hours for eligible employees are accrued on a monthly basis.

Regular full-time employees earn vacation time at the following rates:

1 – 9 years	10 days per year
10 – 19 years	15 days per year
20 and over	20 days per year

Fire Department employees earn vacation time at the following rates:

1 – 9 years	Equivalent to 7 shifts
10 – 19 years	Equivalent to 10 shifts
20 and over	Equivalent to 15 shifts

The maximum allowed carry-over of vacation time is 140 hours per calendar year for all regular employees. The maximum for Fire Department employees is nine (9) shifts (216 hours). Upon termination of employment with the City, employees are paid for accrued but unused vacation time.

The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued in the government-wide, proprietary and component unit financial statements. Governmental funds report only matured compensated absences payable to currently terminated employees and are included in wages and benefits payable. Resources from the General Fund are used to liquidate the governmental funds liabilities compensated absences.

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Sick Leave – An employee is eligible to receive and use sick leave after the completion of one full month of regular employment. Sick leave is earned at a rate of eight (8) hours per month for all regular full-time employees, up to a maximum of 90 days (720 hours). Fire Department employees earn sick leave at a rate of twelve (12) hours per month, up to a maximum of 1,080 hours. Regular part-time employees (employed on a year-round part-time basis) that work at least 20 hours but less than 40 hours per week accrue benefits on a half-time basis. Upon termination of employment with the City, employees do not receive compensation for accrued but unused sick leave; therefore, no liability is recorded for accumulated sick leave.

7. Net Position

Net assets represent the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

8. Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council – the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts contained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

The City's Fund Balance policy is to spend the funds with the most constraints first, as appropriate.

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10. Adoption of New Accounting Standards

The City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and related disclosures. Deferred outflows of resources are defined as a consumption of Net Position by a government that is applicable to a future reporting period and deferred inflows of resources are defined as an acquisition of Net Position by a government that is applicable to a future reporting period. Net position is defined as the residual of all other elements presented in statement of financial position, being measured as the difference between (a) assets and deferred outflows or resources and (b) liabilities and deferred inflows of resources.

The City also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* in the current year. This statement establishes accounting and financial reporting that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows or resource and deferred inflows or resources, such as changes in the determination of the major fund calculations and limiting the use of the term "deferred" in financial statement presentations.

As a result of the adoption of these new accounting standards, the total prior period adjustments have been made as follows:

Governmental Activities	\$ 396,877
Business-Type Activities	<u>129,801</u>
Total Prior Period Adjustment	<u>\$ 526,678</u>

The prior period adjustment is explained in more detail in note IV.K.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Policies

The City's fiscal year begins on October 1 and ends on September 30 of the following calendar year. Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for all City departments, divisions, and offices for the fiscal year beginning on the following October 1. The operating budget, which represents the financial plan of the ensuing fiscal year, includes proposed expenditures or expenses and the means of financing them. Public hearings are conducted at which all interested persons are encouraged to comment concerning the proposed budget.

The budget for the subsequent fiscal year, as well as the current year revised budget, is legally enacted by the City Council through passage of an ordinance prior to October 1 each year.

Annual budgets are legally adopted for all City departments, divisions, and offices on a basis consistent with GAAP, except that depreciation is not budgeted in the Enterprise Funds. Formal budgetary accounting is employed as a management control technique to assist controlling revenues and expenditures (or expenses) in the General Fund, certain Special Revenue Funds, the Debt Service Fund, and Enterprise Funds. Project-length budgets are adopted for Capital Project Funds. Encumbered appropriations are carried forward to the next fiscal year and become part of that year's appropriations, while unencumbered appropriations lapse at fiscal year-end. Appropriations for certain non-budgeted special revenue funds and capital projects funds are controlled on a project basis and are carried forward each year until the project is completed or the grant receipts are expended. The following governmental funds have legally adopted budgets: Municipal Court Security, Municipal Court Technology, Hotel/Motel,

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G.I.V.E, City Athletic Fields, Federal Seizure, State Seizure, Juvenile Case Manager, Medal of Honor, Cable Peg Fee, Debt Service, Cemetery Permanent. Assigned General Capital and Cohen Scholarship.

Expenditures may not legally exceed appropriations at the division or program level for legally adopted annual operating budgets of the General, Water and Sewer, and the Solid Waste funds. However, the level of budgetary control is maintained at the fund or project level for all other remaining fund types, since the related activities are comprised of a single division, program, or project. The City Manager may, without Council approval, transfer unencumbered appropriation balances between expenditure accounts within funds, departments, or programs of the City. The City Council, however, must approve any appropriations between individual funds or appropriations that result in a net increase in total appropriations.

The original budget and amended budget for major governmental funds are presented as required supplementary information. The Council made several supplemental budgetary appropriations throughout the year; however, none were considered material.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2013, expenditures exceeded appropriations in the following funds:

	Excess Amount
General Fund:	
Inspections	\$ 16,599
Finance	20,476
Parks & Recreation	26,989
Zoo Operations	19,371
Capital Outlay	64,297
Debt Service:	
General Government	17,603
Interest & Fiscal Charges	15,676
Nonmajor Governmental Funds:	
Municipal Court Technology	924
Municipal Court Security	325
G.I.V.E	832
City Athletic Fields	1,336
Cable Peg Fee	5,428
State Seizure Fund	17,433

C. Deficit Fund Equity

None

CITY OF GAINESVILLE, TEXAS
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III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

At September 30, 2013, cash and cash equivalents consisted of the following:

Cash on Hand	\$ 6,420
Cash Equivalents - Investments	26,781,848
Cash in Banks	<u>2,359,959</u>
Total Cash and Cash Equivalents	<u>\$29,148,227</u>

	Governmental Activities	Business Activities	Component Unit	Total
Cash and Cash Equivalents	\$ 16,569,952	\$ 5,346,424	\$ 1,236,239	\$23,152,615
Restricted Cash and Cash Equivalents	-	5,995,612	-	5,995,612
Totals	<u>\$ 16,569,952</u>	<u>\$ 11,342,036</u>	<u>\$ 1,236,239</u>	<u>\$29,148,227</u>

The funds of the City must be deposited and invested under the terms of a depository contract; contents of which are set out in the *Depository Contract Law*. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City's 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.

Deposits - At September 30, 2013, the City had \$6,420 of cash on hand. The carrying amount of the City's cash in bank totaled \$2,362,719 and bank balance was \$2,562,187. The City's deposits at September 30, 2013, were fully covered by Federal Depository Insurance amounting to \$250,000 and with securities held by the pledging financial institution in the depositor-government's name amounting to \$2,998,538. The carrying amount of the Gainesville Economic Development Corporation's cash as of September 30, 2013, as reflected in the statement of net position was \$497,268 and the bank balance was \$503,039. Deposits of the GEDC component unit were not fully covered. The City believes the financial institutions to be high quality, which limits the risk of loss of uninsured balances.

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 address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. The City's investment policy complies with the Public Funds Investment Act provisions.

The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the basic 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) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper. The City's investments were in accordance with the Act.

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Public Funds Investment Pool – The City’s temporary investments consist of balances held by the Texas Short-Term Asset Reserve Program (TexSTAR) and the Texas Local Government Investment Pool (TexPool).

TexSTAR is an investment pool created by the initial participants for the joint investment of the participants’ public funds and funds under their control. TexSTAR was created under the authority of applicable Texas law, including the Cooperating Act and the Investment Act. A governing board manages the business and affairs of TexSTAR. The governing board has appointed an Advisory Board consisting of representatives of participants and other persons who do not have a business relationship with TexSTAR and are qualified to advise the board.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designations of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with Tex Pool. The Advisory Board member reviews the investment policy and management fee structure.

Both public fund investment pool agencies operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940 and is rated AAAM by Standard and Poors. All investments are stated at amortized cost, and accordingly, the fair value of the position of the pool funds are the same as the value of shares. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poors, as well as the Office of the Comptroller of Public Accounts for review. Deposits held in these public funds investment pools are not subject to custodial credit risk. The City had \$5,684,501 on deposit with TexPool and \$19,746,970 on deposit with TexStar at September 30, 2013. The GEDC had \$767,445 on deposit with TexStar at September 30, 2013.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. It is the policy of the City that their deposits are to be covered by federal depository insurance or by collateral held by the City’s agent or pledging financial institution’s trust department or agent in the name of the City. At September 30, 2013, the City had no cash deposits that were exposed to custodial credit risk. Deposits of the GEDC component unit were not fully covered. The City believes the financial institutions to be high quality, which limits the risk of loss of uninsured balances

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City’s policy is to invest in securities that have maturities of less than 12 months and therefore are not exposed to interest rate risk.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. According to the City’s investment policy, to mitigate credit risk, funds shall be invested in U. S. Treasury Bonds, Notes, and Bills and “highly liquid” U.S. Agency securities. Presented below is the rating as of year-end for each investment type.

Investment Type	Total	AAA	Unrated
TexSTAR	\$ 20,514,414	\$ 20,514,414	\$ -
TexPool	5,684,501	5,684,501	-
Money Market Funds & Certificates of Deposit	500,000	500,000	-
U.S. Government Backed Bonds	82,934	82,934	-
	\$ 26,781,848	\$ 26,781,848	\$ -

CITY OF GAINESVILLE, TEXAS
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Concentration of Credit Risk - This risk is the risk of loss attributable to the magnitude of a government's investment in a single issuer. At year-end, the City nor the GEDC was exposed to concentration of credit risk.

B. Receivables

Property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within the City. Taxes are due upon 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 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The appraisal and recording of all property within the City is the responsibility of the Cooke County Appraisal District (CCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. CCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the City, may challenge orders of the CCAD Review Board through various appeals and, if necessary, legal action.

Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Tax collections are prorated between the General Fund and Debt Service Fund based on the tax rate approved by the Board. For the year ended September 30, 2013, the rates were \$.4585 and \$.1885, respectively, per \$100 of assessed value. At September 30, 2013, the City had a tax margin of \$1.853 for every \$100 valuation based upon a maximum *ad valorem* tax of \$2.50 for every \$100 valuation imposed by Texas Constitutional Law.

Receivables as of September 30, 2013, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds					Total
	General Fund	Debt Service	Street Utility Maintenance	Assigned General Capital	Nonmajor Funds	
Property Taxes	\$ 135,176	\$ 65,284	-	-	\$ -	\$ 200,460
Sales Tax	993,059	-	-	-	-	993,059
Other Local Fees	-	-	-	-	59,312	59,312
Franchise Fees	347,735	-	-	-	-	347,735
Court Warrants	667,898	-	-	-	-	667,898
Grants	49,373	-	-	-	420,000	469,373
Other	86,636	-	-	-	153	86,789
	<u>2,279,877</u>	<u>65,284</u>	<u>-</u>	<u>-</u>	<u>479,465</u>	<u>2,824,626</u>
Allowance for Uncollectibles	<u>(423,655)</u>	<u>(14,875)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(438,530)</u>
Net Receivables	<u>\$ 1,856,222</u>	<u>\$ 50,409</u>	<u>-</u>	<u>-</u>	<u>\$ 479,465</u>	<u>\$ 2,386,096</u>

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	Proprietary Funds					Total
	Water and Sewer	Municipal Airport	Solid Waste	Stormwater Utility	Nonmajor- Golf Fund	
Service Receivables	\$ 877,752	\$ 20,727	\$ 928,579	\$ 110,675	\$ -	\$1,937,733
Other	76,240	-	-	-	144	76,384
	<u>953,992</u>	<u>20,727</u>	<u>928,579</u>	<u>110,675</u>	<u>144</u>	<u>2,014,117</u>
Allowance for Uncollectibles	(3,084)	-	(7,361)	(1,325)	-	(11,770)
Net Receivables	<u>\$ 950,908</u>	<u>\$ 20,727</u>	<u>\$ 921,218</u>	<u>\$ 109,350</u>	<u>\$ 144</u>	<u>\$2,002,347</u>

C. Interfund Receivables, Payables, and Transfers

1. Interfund Receivables and Payables

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental and proprietary-type funds financial statements generally reflect such transactions as transfers. Proprietary funds record operating subsidies as other income, whereas the fund paying the subsidy records it as an expenditure.

Interfund receivable and payable balances at September 30, 2013 are as follows:

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General Fund	2008 GO Bonds	\$ 420,000
Enterprise Funds:		
Solid Waste Utility Fund	Municipal Airport Golf Fund	101,000 200

The outstanding balances between funds result, mainly, from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

The following is a summary of interfund operating transfers:

Transfers In	Transfers Out	Amount
Governmental Funds:		
General Fund	Nonmajor Governmental Funds	\$ 366,424
	Water & Sewer Utility	1,176,135
	Stormwater Utility	189,569
	Solid Waste Utility	954,099
Debt Service Fund	Water & Sewer Utility	139,243
	Stormwater Utility	279,742
	Solid Waste Utility	2,711
Assigned General Capital Fund	General Fund	2,738,521
Nonmajor Governmental Funds	General Fund	175,132
	Assigned General Capital Fund	1,620
	Nonmajor Governmental Funds	99
	Stormwater Utility	460,551
	Nonmajor Proprietary Funds	9,632

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Enterprise Funds:		
Municipal Airport	Debt Service Fund	35,186
Nonmajor Proprietary Fund	Debt Service Fund	9,269
	Nonmajor Governmental Funds	2,500
	General Fund	189,534
		<u>\$ 6,729,967</u>

Transfers are generally used to (1) move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due, and (2) move allocated overhead costs from proprietary funds to the General Fund.

Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

	Balance 10/1/2012	Additions/ Completions	Transfer (to) From Proprietary	Balance 9/30/2013
Governmental Activities:				
<u>Non-Depreciable Capital Assets:</u>				
Construction				
in Progress	\$ 6,993,679	\$ -	\$ (2,080,531)	\$ 4,913,148
Land & Land Rights	920,036	115,122	(26,665)	1,008,493
	<u>7,913,715</u>	<u>115,122</u>	<u>(2,107,196)</u>	<u>5,921,641</u>
<u>Depreciable Capital Assets:</u>				
Machinery & Equip.	6,286,162	1,143,328	(1,193,722)	6,235,768
Furniture & Fixtures	196,026	-	-	196,026
Office Mach. & Equip.	1,988,788	118,095	13,146	2,120,029
Buildings	9,465,468	313,796	(320,721)	9,458,543
Improvements	79,286,074	5,133,712	5,143	84,424,929
	<u>97,222,518</u>	<u>6,708,931</u>	<u>(1,496,154)</u>	<u>102,435,295</u>
Less Accumulated Depreciation:				
Machinery & Equip.	(4,680,404)	(310,843)	(27,475)	(5,018,722)
Furniture & Fixtures	(172,610)	(3,329)	-	(175,939)
Office Mach. & Equip.	(1,825,075)	(102,835)	-	(1,927,910)
Buildings	(5,937,382)	(276,272)	-	(6,213,654)
Improvements	(72,689,785)	(551,995)	-	(73,241,780)
	<u>(85,305,256)</u>	<u>(1,245,274)</u>	<u>(27,475)</u>	<u>(86,578,005)</u>
Net Depreciable Capital Assets	<u>11,917,262</u>	<u>5,463,657</u>	<u>(1,523,629)</u>	<u>15,857,290</u>
Net Capital Assets	<u>\$ 19,830,977</u>	<u>\$ 5,578,779</u>	<u>\$ (3,630,825)</u>	<u>\$ 21,778,931</u>

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	Balance 10/1/2012	Additions/ Completions	Disposals	Balance 9/30/2013
Discretely Presented Component Unit:				
<u>Non-Depreciable Capital Assets:</u>				
Land & Land Rights	\$ 486,151	\$ 688,102	\$ -	\$ 1,174,253
<u>Depreciable Capital Assets:</u>				
Office Mach. & Equip.	39,630	-	-	39,630
Buildings	1,975,114	-	-	1,975,114
	<u>2,014,744</u>	<u>-</u>	<u>-</u>	<u>2,014,744</u>
Less Accumulated Depreciation:				
Office Mach. & Equip.	(16,223)	-	-	(16,223)
Buildings	(595,071)	(69,720)	-	(664,791)
	<u>(611,294)</u>	<u>(69,720)</u>	<u>-</u>	<u>(681,014)</u>
Net Depreciable Capital Assets	<u>\$ 1,889,601</u>	<u>\$ 618,382</u>	<u>\$ -</u>	<u>\$ 2,507,983</u>

	Balance 10/1/2012	Additions/ Completions	Transfers/ Disposals	Balance 9/30/2013
Proprietary Funds (in Aggregate):				
<u>Non-Depreciable Capital Assets:</u>				
Construction				
in Progress	\$ 3,005,408	\$ 13,732	\$ 3,650,225	\$ 6,669,365
Land & Land Rights	509,299	11,068	(43,106)	477,261
	<u>3,514,707</u>	<u>24,800</u>	<u>3,607,119</u>	<u>7,146,626</u>
<u>Depreciable Capital Assets:</u>				
Machinery & Equip.	8,464,217	777,742	(80,908)	9,161,051
Furniture & Fixtures	1,080	-	-	1,080
Office Mach. & Equip.	219,694	563	(1,606)	218,651
Buildings	2,350,853	23,500	28,578	2,402,931
Improvements	11,333,674	115,884	(1,608,443)	9,841,115
Plant In Svc-Water	10,982,534	190,141	1,599,918	12,772,593
Plant In Svc-Sewer	2,024,845	-	25,300	2,050,145
	<u>35,376,897</u>	<u>1,107,830</u>	<u>(37,161)</u>	<u>36,447,566</u>
Less Accumulated Depreciation:				
Machinery & Equip.	(5,853,282)	(441,468)	60,866	(6,233,884)
Furniture & Fixtures	(1,080)	-	-	(1,080)
Office Mach. & Equip.	(176,360)	(13,149)	-	(189,509)
Buildings	(1,670,126)	(82,457)	-	(1,752,583)
Improvements	(8,299,123)	(546,609)	-	(8,845,732)
Plant In Svc-Water	(7,869,981)	(270,156)	-	(8,140,137)
Plant In Svc-Sewer	(1,214,266)	(43,678)	-	(1,257,944)
	<u>(25,084,218)</u>	<u>(1,397,517)</u>	<u>60,866</u>	<u>(26,420,869)</u>
Net Depreciable Capital Assets	<u>10,292,679</u>	<u>(289,687)</u>	<u>23,705</u>	<u>10,026,697</u>
Net Capital Assets	<u>\$ 13,807,386</u>	<u>\$ (264,887)</u>	<u>\$ 3,630,824</u>	<u>\$ 17,173,323</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Capital asset balances of individual proprietary funds as of September 30, 2013 were as follows:

	Water and Sewer	Municipal Airport	Solid Waste	Stormwater Utility	Nonmajor- Golf Fund	Totals
Non-Depreciable Capital Assets:						
Construction						
in Progress	\$ 84,894	\$ 1,886,901	\$ -	\$ 4,697,570	\$ -	\$ 6,669,365
Land & Land Rights	77,066	100,000	-	289,127	11,068	477,261
	<u>161,960</u>	<u>1,986,901</u>	<u>-</u>	<u>4,986,697</u>	<u>11,068</u>	<u>7,146,626</u>
Depreciable Capital Assets:						
Machinery & Equip.	2,396,597	238,025	5,608,264	779,390	138,775	9,161,051
Furniture & Fixtures	1,080	-	-	-	-	1,080
Office Mach. & Equip.	184,407	-	34,244	-	-	218,651
Buildings	527,933	867,761	945,529	-	61,708	2,402,931
Improvements	4,964,348	3,960,960	47,797	427,511	440,499	9,841,115
Plant In Service-Water	12,772,593	-	-	-	-	12,772,593
Plant In Service-Sewer	2,050,145	-	-	-	-	2,050,145
	<u>22,897,103</u>	<u>5,066,746</u>	<u>6,635,834</u>	<u>1,206,901</u>	<u>640,982</u>	<u>36,447,566</u>
Less Accumulated Depreciation:						
Machinery & Equip.	(1,796,652)	(198,299)	(3,812,736)	(296,323)	(129,874)	(6,233,884)
Furniture & Fixtures	(1,080)	-	-	-	-	(1,080)
Office Mach. & Equip.	(162,265)	-	(27,244)	-	-	(189,509)
Buildings	(527,933)	(507,343)	(655,599)	-	(61,708)	(1,752,583)
Improvements	(5,993,859)	(2,354,896)	(5,117)	(133,667)	(358,193)	(8,845,732)
Plant In Service-Water	(8,140,137)	-	-	-	-	(8,140,137)
Plant In Service-Sewer	(1,257,944)	-	-	-	-	(1,257,944)
	<u>(17,879,870)</u>	<u>(3,060,538)</u>	<u>(4,500,696)</u>	<u>(429,990)</u>	<u>(549,775)</u>	<u>(26,420,869)</u>
Net Depreciable Capital Assets	<u>5,017,233</u>	<u>2,006,208</u>	<u>2,135,138</u>	<u>776,911</u>	<u>91,207</u>	<u>10,026,697</u>
Net Capital Assets	<u>\$ 5,179,193</u>	<u>\$ 3,993,109</u>	<u>\$ 2,135,138</u>	<u>\$ 5,763,608</u>	<u>\$ 102,275</u>	<u>\$ 17,173,323</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Depreciation expense was charged as a direct expense to programs as follows:

Governmental Activities:	
General Government	\$ 288,024
Finance	3,329
Community Development	48,982
Public Safety	348,978
Public Works	555,961
	<u>\$ 1,245,274</u>
Discretely Presented Component Unit:	
Gainesville Economic Development Corp	<u>\$ 69,720</u>
Proprietary Funds:	
Water & Sewer	\$ 787,813
Airport	245,558
Solid Waste	268,671
Stormwater	66,185
Golf Course	29,290
	<u>\$ 1,397,517</u>

E. Accounts Payable

Accounts payable as of September 30, 2013, for the City's major funds and nonmajor funds in the aggregate are as follows:

	<u>Governmental Funds</u>				Total
	General Fund	Debt Service	Street Utility Maintenance	Nonmajor Funds	
Vendor Payables	\$ 930,794	\$ -	\$ 72,338	\$ 190,241	\$ 1,193,373
Court Costs Payable	30,383	-	-	-	30,383
Funds Held for Others	63,875	-	-	-	63,875
Accrued Payroll Payable	158,543	-	-	-	158,543
	<u>\$ 1,183,595</u>	<u>\$ -</u>	<u>\$ 72,338</u>	<u>\$ 190,241</u>	<u>\$ 1,446,174</u>

	<u>Proprietary Funds</u>					Total
	Water and Sewer	Municipal Airport	Solid Waste	Stormwater Utility	Nonmajor-Golf Fund	
Vendor Payables	\$ 270,743	\$ 31,861	\$ 394,704	\$ 5,000	\$ 13,134	\$ 715,442
Accrued Comp. Absences	33,897	1,294	26,937	2,204	6,296	70,628
Postclosure Care Costs	-	-	11,285	-	-	11,285
Accrued Payroll Payable	27,645	1,934	11,236	1,428	3,464	45,707
Deposits Payable	197,202	-	7,993	75	-	205,270
Interest Payable	99,910	1,402	11,090	9,952	379	122,733
Sales Tax Payable	-	-	72,664	-	313	72,977
Totals	<u>\$ 629,397</u>	<u>\$ 36,491</u>	<u>\$ 535,909</u>	<u>\$ 18,659</u>	<u>\$ 23,586</u>	<u>\$ 1,244,042</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Long-Term Debt

Governmental Activities Long-Term Debt

As of September 30, 2013, the City had the following governmental activities long-term debt outstanding:

	Interest Rate	Year of Issue	Year of Maturity	Original Amount	Amount Outstanding	Due Within One Year
General Obligation Bonds:						
Series 2005	3.80%	2005	2020	534,906	\$ 254,537	\$ 39,043
Series 2007	4.0-4.125%	2007	2026	6,639,539	5,262,400	362,580
Series 2008	4.00%	2008	2030	2,805,000	1,840,000	90,772
Series 2012	2.0-3.0%	2012	2025	2,422,557	2,163,438	345,492
Total General Obligation Bonds					<u>9,520,375</u>	<u>837,887</u>
Certificates of Obligation Bonds:						
Series 2002	4.15-5.1%	2002	2022	1,110,000	55,000	55,000
Series 2008	4.00%	2008	2018	962,020	576,096	106,344
Series 2010	1.25-4.4%	2010	2029	2,036,000	4,480,000	205,000
Series 2012	2.0-3.5%	2012	2032	3,020,000	2,920,000	125,000
Total Certificates of Obligation Bonds					<u>8,031,096</u>	<u>491,344</u>
Capital Leases						
Leasing 2	3.37%	2012	2014	93,682	31,918	31,918
Total Long-Term Debt - Governmental Activities					<u>\$ 17,583,389</u>	<u>\$ 1,361,149</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

The changes in long-term debt for governmental activities are summarized as follows:

	Balance 10/1/2012	New Debt or Increases	Transfers/ Refunded	Payments or Decreases	Balance 9/30/2013
General Obligation Bonds:					
Series 2005	\$ 298,040	\$ -	\$ -	\$ (43,503)	\$ 254,537
Series 2007	5,508,555	-	-	(246,155)	5,262,400
Series 2008	4,675,000	-	(2,620,000)	(215,000)	1,840,000
Series 2012	2,422,557	-	-	(259,119)	2,163,438
Total GO Bonds	<u>12,904,152</u>	<u>-</u>	<u>(2,620,000)</u>	<u>(763,777)</u>	<u>9,520,375</u>
Certificates of Obligation Bonds:					
Series 2001	39,310	-	-	(39,310)	-
Series 2002	105,000	-	-	(50,000)	55,000
Series 2003	90,000	-	-	(90,000)	-
Series 2008	678,009	-	47,649	(149,562)	576,096
Series 2010	4,680,000	-	-	(200,000)	4,480,000
Series 2012	3,020,000	-	-	(100,000)	2,920,000
Total CO Bonds	<u>8,612,319</u>	<u>-</u>	<u>47,649</u>	<u>(628,872)</u>	<u>8,031,096</u>
Capital Leases					
Leasing 2	62,841	93,681	-	(124,604)	31,918
Premium/Discount	<u>81,054</u>	<u>-</u>	<u>(8,131)</u>	<u>(7,015)</u>	<u>65,908</u>
Total Long Term Debt - Governmental Activities	<u>\$ 21,660,366</u>	<u>\$ 93,681</u>	<u>\$ (2,580,482)</u>	<u>\$ (1,524,268)</u>	<u>\$ 17,649,297</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

The aggregate debt service payments to maturity of the City's governmental activities general obligation bonds and certificates of obligation bonds are as follows:

Fiscal Year Sep. 30,	General Obligation Bonds			Certificates of Obligation			Capital Leases			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	837,887	326,732	1,164,619	491,344	244,239	735,586	31,918	1,076	32,994	1,361,149	572,047	1,933,196
2015	921,470	298,657	1,220,127	445,775	232,007	677,786	-	-	-	1,367,245	530,664	1,897,909
2016	938,860	268,812	1,207,672	460,206	220,687	680,898	-	-	-	1,399,066	489,499	1,888,565
2017	967,983	238,200	1,206,183	469,637	207,940	677,583	-	-	-	1,437,620	446,140	1,883,760
2018	960,419	204,448	1,164,867	484,134	193,741	677,882	-	-	-	1,444,553	398,189	1,842,742
2019	794,196	171,397	965,593	370,000	181,660	551,668	-	-	-	1,164,196	353,057	1,517,253
2020	819,038	141,156	960,194	380,000	171,435	551,444	-	-	-	1,199,038	312,591	1,511,629
2021	726,832	112,281	839,113	390,000	160,935	550,945	-	-	-	1,116,832	273,216	1,390,048
2022	750,916	84,782	835,698	400,000	150,510	550,521	-	-	-	1,150,916	235,292	1,386,208
2023	402,442	63,173	465,615	415,000	138,635	553,647	-	-	-	817,442	201,808	1,019,250
2024	420,183	47,618	467,801	430,000	123,822	553,835	-	-	-	850,183	171,440	1,021,623
2025	325,300	33,063	358,363	445,000	107,910	552,924	-	-	-	770,300	140,973	911,273
2026	341,469	19,493	360,962	460,000	92,248	552,263	-	-	-	801,469	111,741	913,210
2027	152,662	9,490	162,152	475,000	75,847	550,863	-	-	-	627,662	85,337	712,999
2028	160,718	3,218	163,936	490,000	58,673	548,690	-	-	-	650,718	61,891	712,609
2029	-	-	-	510,000	40,610	550,628	-	-	-	510,000	40,610	550,610
2030	-	-	-	530,000	21,610	551,610	-	-	-	530,000	21,610	551,610
2031	-	-	-	190,000	8,990	198,990	-	-	-	190,000	8,990	198,990
2032	-	-	-	195,000	3,022	198,022	-	-	-	195,000	3,022	198,022
	<u>\$ 9,520,375</u>	<u>\$ 2,022,520</u>	<u>\$ 11,542,895</u>	<u>\$ 8,031,096</u>	<u>\$ 2,434,521</u>	<u>\$ 10,465,785</u>	<u>\$ 31,918</u>	<u>\$ 1,076</u>	<u>\$ 32,994</u>	<u>\$ 17,583,389</u>	<u>\$ 4,458,117</u>	<u>\$ 22,041,506</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

2. Business-Type Activities Long-Term Debt

As of September 30, 2013, the City had the following business-type activities long-term debt:

	Interest Rate	Year of Issue	Year of Maturity	Original Amount	Amount Outstanding	Due Within One Year
<u>Water and Sewer Utility</u>						
Certificates of Obligation Bonds:						
Series 2008	4.00%	2008	2018	464,665	230,518	42,552
Series 2013	4%-2.75%	2013	2033	5,730,000	5,730,000	150,000
General Obligation Bonds:						
Series 2005	3.80%	2005	2020	4,353,584	2,071,668	317,770
Series 2007	4.0-4.125%	2007	2026	965,362	765,132	52,718
Series 2008	4.00%	2008	2030	12,000	12,000	594
					<u>8,809,318</u>	<u>563,634</u>
<u>Municipal Airport</u>						
Certificates of Obligation Bonds:						
Series 1995	4.1-6.35%	1995	2015	115,000	20,000	10,000
General Obligation Bonds:						
Series 2005	3.80%	2005	2020	261,244	124,315	19,068
Series 2007	4.0-4.125%	2007	2026	160,450	127,170	8,762
					<u>271,485</u>	<u>37,830</u>
<u>Solid Waste Utility</u>						
Certificates of Obligation Bonds:						
Series 2008	4.00%	2008	2018	908,315	493,386	91,104
General Obligation Bonds:						
Series 2005	3.80%	2005	2020	1,194,790	568,545	87,208
Series 2007	4.0-4.125%	2007	2026	1,352,678	1,072,113	73,869
Tax Notes						
Series 2009	3.20%	2009	2014	395,000	105,000	105,000
					<u>2,239,044</u>	<u>357,181</u>
<u>Stormwater Utility</u>						
General Obligation Bonds:						
Series 2007	4.0-4.125%	2007	2026	774,843	614,128	42,314
Series 2008	4.00%	2008	2030	2,608,000	2,608,000	128,634
Series 2012	2.0-3.0%	2012	2025	522,443	466,562	74,508
Capital Lease:						
Community Leasin	3.41%	2013	2015	142,783	142,783	69,881
Leasing 2	3.37%	2012	2014	341,935	103,660	103,660
					<u>3,935,133</u>	<u>418,997</u>
<u>Municipal Golf Course</u>						
General Obligation Bonds:						
Series 2005	3.80%	2005	2020	12,476	5,937	911
Series 2007	4.0-4.125%	2007	2026	87,127	69,056	4,758
					<u>74,993</u>	<u>5,669</u>
Total Bonds - Proprietary Funds Activities					<u>\$ 15,329,973</u>	<u>\$ 1,383,311</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

	Balance 10/1/2012	New Debt or Increases	Transfers/ Refunded	Payments or Decreases	Balance 9/30/2013
Water and Sewer Utility					
Certificates of Obligation Bonds:					
Series 2001	\$ 41,034	\$ -	\$ -	\$ (41,034)	\$ -
Series 2008	271,297	-	(33,173)	(7,606)	230,518
Series 2013	-	5,730,000	-	-	5,730,000
General Obligation Bonds:					
Series 2005	2,425,735	-	-	(354,067)	2,071,668
Series 2007	800,922	-	-	(35,790)	765,132
Series 2008	-	-	12,000	-	12,000
Discount/Premium	6,474	378,434	-	(13,185)	371,723
	<u>3,545,462</u>	<u>6,108,434</u>	<u>(21,173)</u>	<u>(451,682)</u>	<u>9,181,041</u>
Municipal Airport					
Certificates of Obligation Bonds:					
Series 1995	30,000	-	-	(10,000)	20,000
Series 2001	7,586	-	-	(7,586)	-
General Obligation Bonds:					
Series 2005	145,560	-	-	(21,245)	124,315
Series 2007	133,119	-	-	(5,949)	127,170
Discount/Premium	315	-	-	(21)	294
	<u>316,580</u>	<u>-</u>	<u>-</u>	<u>(44,801)</u>	<u>271,779</u>
Solid Waste Utility					
Certificates of Obligation Bonds:					
Series 2001	56,207	-	-	(56,207)	-
Series 2008	580,694	-	-	(87,308)	493,386
General Obligation Bonds:					
Series 2005	665,714	-	-	(97,169)	568,545
Series 2007	1,122,262	-	-	(50,149)	1,072,113
Tax Note					
Series 2009	205,000	-	-	(100,000)	105,000
Discount/Premium	11,605	-	-	(1,841)	9,764
	<u>2,641,482</u>	<u>-</u>	<u>-</u>	<u>(392,674)</u>	<u>2,248,808</u>
Stormwater Utility					
Certificates of Obligation Bonds:					
Series 2001	3,966	-	-	(3,966)	-
General Obligation Bonds:					
Series 2007	642,856	-	-	(28,728)	614,128
Series 2008	-	-	2,608,000	-	2,608,000
Series 2012	522,443	-	-	(55,881)	466,562
Capital Leases					
Leasing 2	204,086	-	-	(100,426)	103,660
Community Leasing	-	209,450	-	(66,667)	142,783
Discount/Premium	12,196	-	8,094	(1,041)	19,249
	<u>1,385,547</u>	<u>209,450</u>	<u>2,616,094</u>	<u>(256,709)</u>	<u>3,954,382</u>
Municipal Golf Course					
Certificates of Obligation Bonds:					
Series 2001	3,794	-	-	(3,794)	-
General Obligation Bonds:					
Series 2005	8,066	-	-	(2,129)	5,937
Series 2007	75,385	-	-	(6,329)	69,056
Discount/Premium	171	-	-	(11)	160
	<u>87,416</u>	<u>-</u>	<u>-</u>	<u>(12,263)</u>	<u>75,153</u>
Totals	<u>\$ 7,976,487</u>	<u>\$ 6,317,884</u>	<u>\$ 2,594,921</u>	<u>\$ (1,158,129)</u>	<u>\$ 15,731,163</u>

City of Gainesville, Texas
Notes to Basic Financial Statements
September 30, 2013

Water and Sewer Utility

Water and Sewer long-term debt consists of capital leases, certificates of obligation bonds and general obligation bonds, which are being repaid with water and sewer net revenues.

Debt service payments to maturity of the Water and Sewer bonds are as follows:

Fiscal Year Sep. 30,	Certificates of Obligation			General Obligation Bonds			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	192,552	251,543	444,095	371,082	102,825	473,907	563,634	354,368	918,002
2015	259,325	184,131	443,456	385,576	88,332	473,908	644,901	272,463	917,364
2016	271,098	175,722	446,820	393,136	73,411	466,547	664,234	249,133	913,367
2017	277,871	167,018	444,889	403,597	58,145	461,742	681,468	225,163	906,631
2018	284,672	158,093	442,765	450,736	41,741	492,477	735,408	199,834	935,242
2019	245,000	149,900	394,900	287,437	27,529	314,966	532,437	177,429	709,866
2020	250,000	141,225	391,225	296,530	16,267	312,797	546,530	157,492	704,022
2021	260,000	131,025	391,025	73,828	9,071	82,899	333,828	140,096	473,924
2022	275,000	120,325	395,325	76,757	6,060	82,817	351,757	126,385	478,142
2023	285,000	109,125	394,125	25,517	4,002	29,519	310,517	113,127	423,644
2024	295,000	99,369	394,369	26,041	2,945	28,986	321,041	102,314	423,355
2025	300,000	91,187	391,187	27,532	1,844	29,376	327,532	93,031	420,563
2026	310,000	82,800	392,800	29,023	679	29,702	339,023	83,479	422,502
2027	320,000	74,137	394,137	999	62	1,061	320,999	74,199	395,198
2028	330,000	65,200	395,200	1,009	24	1,033	331,009	65,224	396,233
2029	335,000	56,056	391,056	-	-	-	335,000	56,056	391,056
2030	350,000	45,325	395,325	-	-	-	350,000	45,325	395,325
2031	360,000	32,900	392,900	-	-	-	360,000	32,900	392,900
2032	375,000	20,038	395,038	-	-	-	375,000	20,038	395,038
2033	385,000	6,738	391,738	-	-	-	385,000	6,738	391,738
	<u>\$ 5,960,518</u>	<u>\$ 2,161,857</u>	<u>\$ 8,122,375</u>	<u>\$ 2,848,800</u>	<u>\$ 432,937</u>	<u>\$ 3,281,737</u>	<u>\$ 8,809,318</u>	<u>\$ 2,594,794</u>	<u>\$ 11,404,112</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Municipal Airport

Municipal Airport long-term debt consists of certificates of obligation bonds and general obligation bonds, which are being repaid with Airport Fund surplus net revenues.

Debt service payments to maturity of the Airport bonds are as follows:

Fiscal Year Sep. 30,	Certificates of Obligation			General Obligation Bonds			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	10,000	950	10,950	27,830	9,293	37,123	37,830	28,780	66,610
2015	10,000	317	10,317	29,726	8,181	37,907	39,726	30,043	69,769
2016	-	-	-	30,178	7,022	37,200	30,178	30,178	60,356
2017	-	-	-	31,113	5,836	36,949	31,113	31,113	62,226
2018	-	-	-	37,997	4,495	42,492	37,997	37,997	75,994
2019	-	-	-	25,834	3,251	29,085	25,834	25,834	51,668
2020	-	-	-	26,686	2,225	28,911	26,686	26,686	53,372
2021	-	-	-	12,138	1,462	13,600	12,138	12,138	24,276
2022	-	-	-	12,620	967	13,587	12,620	12,620	25,240
2023	-	-	-	4,100	630	4,730	4,100	4,100	8,200
2024	-	-	-	4,180	460	4,640	4,180	4,180	8,360
2025	-	-	-	4,421	284	4,705	4,421	4,421	8,842
2026	-	-	-	4,662	96	4,758	4,662	4,662	9,324
2027	-	-	-	-	-	-	-	-	-
	<u>\$ 20,000</u>	<u>\$ 1,267</u>	<u>\$ 21,267</u>	<u>\$ 251,485</u>	<u>\$ 44,202</u>	<u>\$ 295,687</u>	<u>\$ 271,485</u>	<u>\$ 252,752</u>	<u>\$ 524,237</u>

CITY OF GAINESVILLE, TEXAS
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Solid Waste Utility

Solid Waste long-term debt consists of certificates of obligation bonds and general obligation bonds, which are being repaid with Solid Waste surplus net revenues.

Debt service payments to maturity of the Solid Waste bonds are as follows:

Fiscal Year Sep. 30,	Certificates of Obligation			General Obligation Bonds			Tax Notes			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	91,104	17,917	109,021	161,076	61,520	222,596	105,000	3,360	108,360	357,180	82,797	439,977
2015	94,900	14,197	109,097	175,947	54,955	230,902	-	-	-	270,847	69,152	339,999
2016	98,696	10,326	109,022	178,015	48,055	226,070	-	-	-	276,711	58,381	335,092
2017	102,492	6,301	108,793	184,148	40,996	225,144	-	-	-	286,640	47,297	333,937
2018	106,194	2,125	108,319	240,129	32,698	272,827	-	-	-	346,323	34,823	381,146
2019	-	-	-	170,237	24,642	194,879	-	-	-	170,237	24,642	194,879
2020	-	-	-	175,995	17,832	193,827	-	-	-	175,995	17,832	193,827
2021	-	-	-	102,332	12,323	114,655	-	-	-	102,332	12,323	114,655
2022	-	-	-	106,398	8,149	114,547	-	-	-	106,398	8,149	114,547
2023	-	-	-	34,562	5,312	39,874	-	-	-	34,562	5,312	39,874
2024	-	-	-	35,240	3,881	39,121	-	-	-	35,240	3,881	39,121
2025	-	-	-	37,273	2,390	39,663	-	-	-	37,273	2,390	39,663
2026	-	-	-	39,306	811	40,117	-	-	-	39,306	811	40,117
2027	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 493,386</u>	<u>\$ 50,866</u>	<u>\$ 544,252</u>	<u>\$ 1,640,658</u>	<u>\$ 313,564</u>	<u>\$ 1,954,222</u>	<u>\$ 105,000</u>	<u>\$ 3,360</u>	<u>\$ 108,360</u>	<u>\$ 2,239,044</u>	<u>\$ 367,790</u>	<u>\$ 2,606,834</u>

City of Gainesville, Texas
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Stormwater Utility – Stormwater long-term debt consists of general obligation bonds issued in 2002 and a capital lease, which are being repaid with Stormwater Utility Fund surplus net revenues.

Debt service payments to maturity of the Stormwater bonds are as follows:

Fiscal Year Sep. 30,	General Obligation Bonds			Capital Lease			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	245,456	134,600	380,056	173,541	8,681	182,222	418,997	143,281	562,278
2015	261,728	125,973	387,701	72,902	2,165	75,067	334,630	128,138	462,768
2016	270,236	116,902	387,138	-	-	-	270,236	116,902	387,138
2017	279,299	107,518	386,817	-	-	-	279,299	107,518	386,817
2018	256,384	97,823	354,207	-	-	-	256,384	97,823	354,207
2019	244,374	88,234	332,608	-	-	-	244,374	88,234	332,608
2020	252,550	78,722	331,272	-	-	-	252,550	78,722	331,272
2021	253,279	69,040	322,319	-	-	-	253,279	69,040	322,319
2022	261,457	59,188	320,645	-	-	-	261,457	59,188	320,645
2023	226,154	49,759	275,913	-	-	-	226,154	49,759	275,913
2024	237,086	40,706	277,792	-	-	-	237,086	40,706	277,792
2025	223,073	31,598	254,671	-	-	-	223,073	31,598	254,671
2026	233,005	22,447	255,452	-	-	-	233,005	22,447	255,452
2027	216,339	13,448	229,787	-	-	-	216,339	13,448	229,787
2028	228,270	4,561	232,831	-	-	-	228,270	4,561	232,831
2029	-	-	-	-	-	-	-	-	-
	<u>\$ 3,688,690</u>	<u>\$ 1,040,519</u>	<u>\$ 4,729,209</u>	<u>\$ 246,443</u>	<u>\$ 10,846</u>	<u>\$ 257,289</u>	<u>\$ 3,935,133</u>	<u>\$ 1,051,365</u>	<u>\$ 4,986,498</u>

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Municipal Golf Course – Municipal Golf Course long-term debt consists of general obligation bonds, certificates of obligation bonds, and a capital lease, which are being repaid with Municipal Golf Course

Debt service payments to maturity of the Municipal Golf Course debt is as follows:

Fiscal Year	General Obligation Bonds			
	Sep. 30,	Principal	Interest	Total
2014		5,670	2,886	8,556
2015		6,555	2,642	9,197
2016		6,577	2,383	8,960
2017		6,860	2,116	8,976
2018		10,334	1,775	12,109
2019		7,922	1,411	9,333
2020		8,201	1,089	9,290
2021		6,591	794	7,385
2022		6,853	525	7,378
2023		2,226	342	2,568
2024		2,270	250	2,520
2025		2,401	154	2,555
2026		2,533	52	2,585
		<u>\$ 74,993</u>	<u>\$ 16,419</u>	<u>\$ 91,412</u>

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3. Defeased Debt

As of September 30, 2013, the following defeased bonds remain outstanding:

	<u>Amount</u>
Series 1998 CO	\$ 2,870,000
Series 1998 GO	1,255,000
Series 1999 CO	710,000
Series 2000 CO	865,000
Series 2001 CO	3,005,000
Series 2002 CO	645,000
Series 2002 GO	2,080,000
Series 2003 CO	1,230,000

4. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the City place a final cover on its municipal landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The City's landfill was considered full September 30, 1994. The estimated total cost of the landfill closure and postclosure care costs of \$1,075,000 recognized at September 30, 1993, was based on an amount that would be paid if all services required to close, monitor, and maintain the landfill were incurred as of September 30, 1993. However, the actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. In recent years, in order to comply with State regulations, the postclosure liability has been increased to adjust for inflation. The balance of the liability at September 30, 2013 was \$626,537 of which \$11,285 is considered as a current liability. The change in the postclosure care costs liability for the fiscal year ended September 30, 2013 was an increase of \$21,960.

G. Compensated Absences

The activity related to compensated absences is as follows:

	<u>Compensated Absences 10/1/2012</u>	<u>Earned</u>	<u>Used</u>	<u>Compensated Absences 9/30/2013</u>	<u>Current Portion</u>
Governmental Funds	\$ 558,789	\$ 964,180	\$ 762,838	\$ 760,131	\$ 375,000
Proprietary Funds:					
Water & Sewer	66,242	68,854	67,302	67,794	33,897
Airport Fund	2,771	2,407	2,589	2,589	1,294
Stormwater Utility	7,290	1,598	4,480	4,408	2,204
Solid Waste	36,471	69,285	51,881	53,875	26,937
Golf Course	2,616	14,307	4,331	12,592	6,296
	<u>\$ 674,179</u>	<u>\$ 1,120,631</u>	<u>\$ 893,421</u>	<u>\$ 901,389</u>	<u>\$ 445,628</u>

The compensated absences do not appear as a liability in the governmental funds. Resources from the General Fund are used to liquidate the governmental funds liabilities compensated absences.

CITY OF GAINESVILLE, TEXAS
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H. Fund Equity and Net position

1. Fund Balance

As discussed in Note I.F.8, the City adopted GASB Statement No. 5, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as Nonspendable, Restricted Committed, Assigned and Unassigned.

General Fund

The General Fund has Unassigned Fund Balance of \$7,216,399 at September 30, 2013.

Other Major Funds

The Debt Service Fund has Restricted Fund Balance consisting of funds accumulated from property taxes to service the City's debt. The Street Utility Maintenance fund balance is classified as restricted for construction. A portion of this fund balance is unspent bond proceeds. The Assigned Capital fund balance is classified as assigned. These funds are to be used for construction, improvements and purchase of capital assets.

Other Funds

The fund balances of the Hotel/Motel Fund, Municipal Court Technology, Cable Peg Fee, Federal Seizure, State Seizure and Cohen Scholarship are classified as Restricted because of externally imposed restrictions. The Cemetery Fund fund balance is classified as Committed because of restrictions imposed by City ordinances. The Stanford House, City Athletic Fields and Construction Project Fund are classified as Assigned.

2. Net position: Invested in Capital Assets, Net of Related Debt

This component of net position is reported in the proprietary fund financial statements and in the government-wide financial statements. It represents the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets. Negative balances in this account are attributable to outstanding debt greater than capital assets net of accumulated depreciation. This is because capital assets are depreciated on a straight-line basis over the life of the related debt, whereas debt principal payments are not necessarily equal amounts.

3. Net position: Unrestricted

This component of net position is reported in the proprietary fund financial statements and in the government-wide financial statements. It represents the difference between assets and liabilities that is not reported in Net position Invested in Capital Assets, Net of Related Debt or Net position restricted for specific purposes.

It is the City's policy to spend funds available from restricted sources prior to unrestricted sources.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. During fiscal 2013, the City was covered under a general liability insurance policy plan with a combined single limit of \$1 million at a cost it considered being economically justifiable.

The City has commercial insurance for all other risks of loss, including employee health benefits, workers' compensation, and employee life and accident insurance.

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There have been no settlements in excess of insurance coverage during the past three fiscal years.

B. Contingent Liabilities

Federal Grants – The City participates in numerous federal and state assisted grant programs. Under the terms of these grants, the City is subject to program compliance audits by the grantors or their representatives. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time; however, management expects such amounts, if any, to be immaterial.

Litigation – The City is contingently liable in respect of lawsuits and claims in the ordinary course of operations that, in the opinion of management, will not have material adverse effect on the combined financial statements.

C. Contracts

Quality Inn (formerly Holiday Inn) – In 1982, the City entered into an agreement with the Holiday Inn Corporation, with an initial term of fifty years. In the agreement, the Holiday Inn agreed to lease approximately 5 acres of City-owned park property, for the purpose of constructing a hotel facility on the property. The terms of the lease agreement state that the Holiday Inn is to pay the City a total of \$1,210,000 in lease payments, due in annual installments of \$10,000 in 1983, \$50,000 from 1984 through 1986, and then annual installments of \$25,000 for years 1987 through 2033. The lease was subsequently assigned to Stellar Investments, Inc., and Everest, Inc., the current leaseholder as of July 2001. Also, terms of the agreement state that the City is to receive the greater of the above annual lease payments, or 2% of the gross annual room rentals of the hotel. Revenue from the agreement is recorded in the appropriate Special Revenue Fund.

Greater Texoma Utility Authority (GTUA) – The City has entered into various contracts with the Greater Texoma Utility Authority (GTUA), whereby GTUA provides water and sewer services to the City. As part of the contractual agreements, GTUA issues debt for the benefit of the City, the proceeds of which are used to finance construction of water and sewer facilities and infrastructure within the City. Although this debt is not that of the City, the City is contractually obligated for the repayment of principal and interest on the debt through a pledging of water and sewer revenues. During the year ended September 30, 2013, the City paid \$993,451 to GTUA in accordance with these contracts.

The audited financial statements of the year ended September 30, 2013, for GTUA, issued by the GTUA's independent auditors, reflected total assets for the City projects as \$11,422,865, deferred outflows of resources of \$180,891 liabilities of \$10,076,232 and total net position of \$1,527,524. Additionally, total revenues and expenses for the City's projects were \$722,273 and \$496,299, respectively. Revenues, as reported, included investment income of \$7,386.

The following outstanding bonds were included in total liabilities on GTUA's financial statement:

In fiscal year 2010, GTUA issued \$2,830,000 in Gainesville Contract Revenue Refunding Bonds having an interest rate of 2.0% to 3.25%. These bonds were issued to refund the 1995, 1997 and 2002 Contract Revenue Bonds. The City has agreed and is obligated to GTUA to make payments from pledged revenues of the Water and Sewer enterprise fund in amounts sufficient to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due. The balance outstanding at September 30, 2011, was \$805,000.

In fiscal year 2011, GTUA issued \$4,100,000 in Gainesville Contract Revenue Bonds having an interest rate of .021% to 2.587%. The City has agreed and is obligated to GTUA to make payments from pledged revenues of the Water and Sewer enterprise fund in amounts sufficient

CITY OF GAINESVILLE, TEXAS
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to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due. The balance outstanding at September 30, 2013 was \$4,090,000.

In fiscal year 2012, GTUA issued \$2,000,000 in Gainesville Contract Revenue Bonds having an interest rate of .1740% to 2.822%. The City has agreed and is obligated to GTUA to make payments from pledged revenues of the Water and Sewer enterprise fund in amounts sufficient to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due. The balance outstanding at September 30, 2013 was \$2,000,000.

In fiscal year 2012, GTUA issued 2012 Gainesville Contract Revenue Bonds having an interest rate of .140% to 1.867%. The City has agreed and is obligated to GTUA to make payments from pledged revenues of the Water and Sewer enterprise fund in amounts sufficient to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due. The balance outstanding at September 30, 2013 was \$1,135,000.

In fiscal year 2013, GTUA issued 2013 Gainesville Contract Revenue Bonds having an interest rate of 2.0% to 3.0%. The City has agreed and is obligated to GTUA to make payments from pledged revenues of the Water and Sewer enterprise fund in amounts sufficient to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due. The balance outstanding at September 30, 2013 was \$1,610,000.

Contractual commitments to be paid to GTUA by the City on the revenue bonds are provided on the following schedule:

Fiscal Years Ending September 30,	Principal	Interest	Amount
2014	510,000	181,632	691,632
2015	520,000	175,182	695,182
2016	535,000	168,042	703,042
2017	535,000	160,482	695,482
2018	545,000	152,629	697,629
2019-2023	2,820,000	626,533	3,446,533
2024-2028	2,170,000	375,102	2,545,102
2029-2033	2,005,000	105,482	2,110,482
	<u>\$ 9,640,000</u>	<u>\$ 1,945,084</u>	<u>\$ 11,585,084</u>

The debt obligation for GTUA's revenue bonds is not reflected in the City's financial statements and is presented for disclosure purposes only. The liability for the debt obligation, however, is separately presented in the publicly available September 30, 2013, financial statements of GTUA.

Lake Texoma Reallocation Project – GTUA facilitated the issuance of bonds to finance acquisition of water storage rights in Lake Texoma. The Lake Texoma Reallocation Project is comprised of the cities of Collinsville, Denison, Gainesville, Gunter, Lindsay, Pottsboro, Sherman, Southmayd, Whitesboro and the special utility districts of Marilee, Northwest Grayson County, Two Way Water and Red River Authority. Revenues from the City are pledged to secure the bond debt. The debt obligation for GTUA's revenue bonds is not reflected in the City's financial statements and is presented for disclosure purposes only. The liability for the debt obligation, however, is separately presented in the publicly available September 30, 2013, financial statements of GTUA.

Contractual commitments to be paid to GTUA by the City on the revenue bonds for the Lake Texoma Reallocation Project are provided on the following schedules:

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Fiscal Years Ending September 30,	Principal	Interest	Amount
2014	194,400	67,126	261,526
2015	199,800	67,126	266,926
2016	205,200	66,976	272,176
2017	209,520	65,982	275,502
2018	214,920	64,338	279,258
2019-2023	1,158,840	278,560	1,437,400
2024-2028	1,312,200	160,166	1,472,366
2029-2030	537,840	19,706	557,546
	<u>\$ 4,032,720</u>	<u>\$ 789,980</u>	<u>\$ 4,822,700</u>

TASWA – The City entered into the Texoma Area Solid Waste Agency Interim Interlocal Agreement in April 1999 with the Cities of Sherman and Denison. Effective June 19, 2000, the Agency was dissolved and the Texoma Area Solid Waste Authority (TASWA) was incorporated. TASWA assumed the responsibilities of planning for the development of a public landfill to meet solid waste disposal needs of the citizens of Grayson and Cooke Counties. Additionally, TASWA has the responsibilities of permitting, constructing, and operating the landfill. See Note IV.G. for additional details of this contract.

D. Construction Commitments

The City has projects in the construction phase. Construction commitments are as follows:

Vendor	Project	Contract	Expended to Date	Balance of Commitment
HDR Engineering Inc	Sump Pkg E	\$ 176,000	\$ 144,900	\$ 31,100
HDR Engineering Inc	Waste Water Treatment Plant	684,200	673,667	10,533
HDR Engineering Inc	Golf Course Water Rights	21,000	11,068	9,932
Kimley Horn	Waste Water Treatment Plant	512,000	69,750	442,250
Kimley Horn	Sump Pkg C	159,200	156,753	2,447
Lynn Vessels	Sump Pkg C	1,366,695	1,290,595	76,100
Atlantis Pool Pastering	Water Park	2,296,300	2,184,073	112,227

E. Commitments Under Operating Leases

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments. Lease expense for operating lease agreements for the current year is \$27,977. Minimum future annual requirements are as follows:

Year Ended September 30,	Amount
2014	\$ 24,390
2015	24,390
2016	20,580
2017	14,863
2018	-
Total	<u>\$ 84,223</u>

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Related Organizations

Related organizations represent organizations for which the City is responsible for appointing a voting majority of the board of the organization. These organizations represent separate non-governmental entities and are not controlled by or dependent upon the City. They also do not meet the criteria of financial accountability.

Gainesville Housing Authority – The Gainesville Housing Authority (GHA) of the City of Gainesville is a nonprofit organization funded by contributions received from the U.S. Department of Housing and Urban Development. The purpose of the organization is to provide low-rent housing to qualified Gainesville residents. There are 5 members on the GHA Board, all of who are appointed by the Mayor of the City. The GHA Chief Executive Officer is selected by the GHA Board and reports directly to the Board. The City of Gainesville does not guarantee bonds issued by the GHA.

G. Jointly Governed Organizations

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that create the organization. These organizations do not meet the criteria of a joint venture because the participants do not retain an ongoing financial interest or responsibility in the organization.

Greater Texoma Utility Authority – The Greater Texoma Utility Authority (GTUA) is a political subdivision of the State of Texas and was created to assist incorporated cities, towns or villages to develop water, sewer and solid waste facilities. Initially, the GTUA was comprised of all the territory that is contained within the corporate boundaries of Sherman and Denison, Texas. Subsequent to the creation of the GTUA, in 1979, several other cities, including the City of Gainesville, have been annexed into the Authority. The City is contractually obligated to make sufficient payments to the GTUA, recognized as operating expenses by the City and as revenues by the GTUA, for the redemption and payment of the City's portion of certain GTUA revenue bonds as they become due. The cities of Sherman and Denison have the right to appoint three members each to the GTUA's nine member Board of Directors. The City of Gainesville currently appoints one member of the Board. The City has limited governing ability over the GTUA.

Although the City has relied on the GTUA for a portion of its Water and Sewer Enterprise Fund long-term financing, the financing of other activities by the City is not dependent upon financing from the GTUA. Further, the scope of the GTUA's public service benefits other cities in addition to the City. Other than the water and sewer contracts, as amended, no other special relationship exists between the City and the GTUA. However, the City and two GTUA member-cities have contracted with Texoma Area Solid Waste Authority in a joint venture agreement.

H. Joint Ventures

Joint ventures are legal entities or other organizations that result from a contractual arrangement and that are owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. The participants retain either an ongoing financial interest or an ongoing financial responsibility.

Texoma Area Solid Waste Authority – The Texoma Area Solid Waste Authority (TASWA) is a local government corporation that was incorporated by five governmental entities, the cities of Gainesville, Sherman, and Denison and the counties of Cooke and Grayson. TASWA has no members or stock. The corporation is organized for the purpose of aiding, assisting and acting

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on behalf of the local governments in the financing, construction, ownership and operation of a solid waste landfill.

Each member government appoints one member to serve on the Board of Directors of TASWA. Neither of the governments represents a voting majority on the Board; however, the Cities retain an ongoing financial responsibility to TASWA. Bonds issued in April 2004 by TASWA are secured by contractual payments to be made by the Cities to TASWA for solid waste disposal. The Cities have pledged to deliver a guaranteed annual tonnage to the Facility, based on each City's respective waste volume history. During the fiscal year-end June 30, 2008, an additional \$2,415,000 was issued to construct sector II of the landfill. At TASWA's fiscal year-end, June 30, 2004, the City's guaranteed proportionate share was 28.7%. TASWA may encourage the delivery of waste from other entities. This would allow TASWA to fund additional reserves and possibly lower the tip fees to the Cities. The outstanding balance of TASWA's bonds at June 30, 2013, was \$18,160,000. Financial statements and other information may be obtained by contacting TASWA's business office, P.O. Box 249, Whitesboro, Texas 76273.

I. Pension Plan

1. Texas Municipal Retirement System

Pension Trust Fund

Plan Description – The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

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

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

	Plan Year 2011	Plan Year 2012	Plan Year 2013
Employee Deposit Rate	5%	5%	5%
Matching ration (city to employee)	1.5 to 1	1.5 to 1	1.5 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/year of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating 70% of CPI	100% Repeating 70% of CPI	100% Repeating 70% of CPI
Annuity Increase (to retirees)	Repeating	Repeating	Repeating

Contributions – Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and

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prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credit and Annuity Increases.

The City contributes to the TMRS at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

	<u>9/30/2011</u>	<u>9/30/2012</u>	<u>9/30/2013</u>
Annual Required Contribution (ARC)	\$ 1,033,281	\$ 989,348	\$ 1,063,943
Contributions Made	\$ 1,033,281	\$ 989,348	\$ 1,063,943

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012 also follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.1 years; closed period	26.1 years; closed period	25.1 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increases	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service
Includes Inflation At	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.10%	2.10%	2.10%

Funding Status and Funding Progress

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	<u>12/31/2012</u>
Actuarial Value of assets	\$ 27,865,558
Actuarial accrued liability	34,026,063
Percent funded	81.9%
Unfunded actuarial accrued liability (UAAL)	6,160,505
Annual covered payroll	9,428,826
UAAL as a percentage of covered payroll	65.3%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Supplemental Death Benefits Fund

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

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); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB.

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

Schedule of Contribution Rates:

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution Made</u>	<u>Percentage of ARC Contributed</u>
2010	0.06%	0.06%	100%
2011	0.06%	0.06%	100%
2012	0.05%	0.05%	100%
2013	0.05%	0.05%	100%
2014	0.05%	0.05%	100%

The City's contribution to the SDBF is as follows:

<u>Year</u>	<u>City Contribution</u>
2011	\$ 21,051
2012	19,186
2013	20,602

2. Texas Emergency Services Retirement System (TESRS)

Plan Description – The Fire Fighter's Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2010, there were 199 members of fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

At August 31, 2010, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	2,167
Terminated Participants Entitled to Benefits but Not Yet Receiving Them	2,106
Active Participants (Vested and Nonvested)	4,371
Total	8,644

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

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

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

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

Annual Required Contributions – The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2010, total contributions (dues and prior service) of \$2,875,103 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state did not appropriate any maximum state contribution for the fiscal years ending August 31, 2010 and 2011. Total contributions made were equal to the contributions required by the state statute and were equal to the contributions required based on the revised August 31, 2008 actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the financing arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2010 revealed the adequacy of the expected contributions from the political subdivisions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2010 (\$502,941 to help pay for the System's administrative expenses) and with the assumed continuation of legislative appropriations of (1) the maximum state contribution amount in future years as is necessary for the System to have a 30-year amortization period and (2) approximately \$500,000 each year to help pay for the System's administrative expenses. Expected contributions for the fiscal year ended August 31, 2011 are less than the contributions required because of the lag in time between an actuarial valuation that shows the need for maximum state contribution amounts and the appropriations process.

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

The City's contribution for 2013, 2012 and 2011 was \$720, \$681 and \$1,252 respectively. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Actuarial assumptions and methods as of the latest actuarial valuation follow:

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Total Members Covered	UAAL Per Member Covered
8/31/2006	\$ 42,268,305	\$ 58,082,828	\$ 15,814,523	72.8%	8,061	\$ 1,962
8/31/2008	60,987,157	64,227,341	3,240,184	95.0%	8,254	393
8/31/2010	64,113,803	81,264,230	17,150,427	78.9%	8,644	1,984

J. Subsequent Events

The City's management has evaluated subsequent events through March 10, 2014, the date which the financial statements were available for issue.

K. Prior Period Adjustment

As a result of implementing new accounting standards as discussed in Note I.E.10, the following prior period adjustment has been recorded in the current fiscal year:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Expense Bond Issuance Costs:	<u>\$ (396,877)</u>	<u>\$ (129,801)</u>

The new accounting standards also resulted in the following reclassifications:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Assets:		
Remove Bond Issuance Costs	\$ (396,877)	\$ (129,801)
Deferred Outflows of Resources:		
Reclassify Deferred Loss on Refunding	570,909	359,377
Long Term Liabilities:		
Reclassify Deferred Loss on Refunding	(570,909)	(359,377)



REQUIRED SUPPLEMENTAL INFORMATION

CITY OF GAINESVILLE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2013

Texas Municipal Retirement System

Schedule of Funding Progress:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2010	23,691,433	30,656,653	6,965,220	77.3%	9,578,022	72.7%
12/31/2011	25,734,636	32,461,026	6,726,390	79.3%	9,758,302	68.9%
12/31/2012	27,865,558	34,026,063	6,160,505	81.9%	9,428,826	65.3%

Texas Emergency Services Retirement System

Schedule of Funding Progress:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Total Members Covered</u>	<u>UAAL Per Member Covered</u>
8/31/2006	\$ 42,268,305	\$58,082,828	\$ 15,814,523	72.8%	8,061	\$ 1,962
8/31/2008	60,987,157	64,227,341	3,240,184	95.0%	8,254	393
8/31/2010	64,113,803	81,264,230	17,150,427	78.9%	8,644	1,984



Combining Fund Financial Statements

**CITY OF GAINESVILLE, TEXAS
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	MUNICIPAL COURT TECHNOLOGY	MUNICIPAL COURT SECURITY	HOTEL/ MOTEL	G.I.V.E.
ASSETS:				
Cash	\$ 4,182	\$ 500	\$ 726,941	\$ 976
Restricted Cash				
Receivables (Net of Allowances for Uncollectibles)				
Taxes	-	-	-	-
Other	-	153	51,595	-
Inventory	-	-	-	-
Interfund Receivables	-	-	-	-
TOTAL ASSETS	<u>\$ 4,182</u>	<u>\$ 653</u>	<u>\$ 778,536</u>	<u>\$ 976</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable	\$ 545	\$ 653	\$ 9,875	\$ 976
Deferred Revenues	-	-	-	-
Interfund Payable	-	-	-	-
TOTAL LIABILITIES	<u>545</u>	<u>653</u>	<u>9,875</u>	<u>976</u>
FUND BALANCES:				
Nonspendable				
Restricted:				
Construction	-	-	-	-
Tourism and the Arts	-	-	768,661	-
Other	3,637	-	-	-
Committed:				
Cemetery	-	-	-	-
Assigned:				
Stanford House	-	-	-	-
Construction	-	-	-	-
Other	-	-	-	-
Unassigned				
TOTAL FUND BALANCES	<u>3,637</u>	<u>-</u>	<u>768,661</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,182</u>	<u>\$ 653</u>	<u>\$ 778,536</u>	<u>\$ 976</u>

REVENUE FUNDS				
JUVENILE CASE MANAGER	MEDAL OF HONOR	CITY ATHLETIC FIELDS	STANFORD HOUSE	CABLE PEG FEE FUND
\$ -	\$ -	\$ 26,668	\$ 218,077	\$ 79,107
-	-	-	-	-
-	-	-	-	-
-	-	-	-	7,717
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,668</u>	<u>\$ 218,077</u>	<u>\$ 86,824</u>
\$ -	\$ -	\$ 3,102	\$ 11,648	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	3,102	11,648	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	206,429	-
-	-	-	-	-
-	-	23,566	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>23,566</u>	<u>206,429</u>	<u>86,824</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,668</u>	<u>\$ 218,077</u>	<u>\$ 86,824</u>

CITY OF GAINESVILLE, TEXAS
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	<u>SPECIAL REVENUE FUNDS</u>		<u>CAPITAL PROJECTS</u>	
	<u>FEDERAL SEIZURE FUND</u>	<u>STATE SEIZURE FUND</u>	<u>2008 GENERAL OBLIG BONDS</u>	<u>SWIMMING POOL CONSTRUCTION</u>
ASSETS:				
Cash	\$ 2,956	\$ 2,063	\$ -	\$ 115,077
Restricted Cash				
Receivables (Net of Allowances for Uncollectibles)				
Taxes	-	-	-	-
Other	-	-	420,000	-
Inventory	-	-	-	-
Interfund Receivables				
TOTAL ASSETS	<u>\$ 2,956</u>	<u>\$ 2,063</u>	<u>\$ 420,000</u>	<u>\$ 115,077</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable	\$ -	\$ -	\$ -	\$ 115,077
Deferred Revenues	-	-	-	-
Interfund Payable			420,000	-
TOTAL LIABILITIES			<u>420,000</u>	<u>115,077</u>
FUND BALANCES:				
Nonspendable	-	-	-	-
Restricted:				
Construction	-	-	-	-
Tourism and the Arts	-	-	-	-
Other	2,956	2,063	-	-
Committed:				
Cemetery	-	-	-	-
Assigned:				
Stanford House	-	-	-	-
Construction	-	-	-	-
Other	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>2,956</u>	<u>2,063</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,956</u>	<u>\$ 2,063</u>	<u>\$ 420,000</u>	<u>\$ 115,077</u>

<u>FUNDS</u>	<u>PERMANENT FUNDS</u>		
<u>CONSTRUCTION PROJECTS FUND</u>	<u>CEMETERY PERMANENT</u>	<u>COHEN SCHOLARSHIP</u>	<u>TOTAL</u>
\$ 88,719	\$ 1,374,067	\$ 11,183	\$ 2,650,516
-	-	-	-
-	-	-	479,465
-	-	-	-
-	-	-	-
<u>\$ 88,719</u>	<u>\$ 1,374,067</u>	<u>\$ 11,183</u>	<u>\$ 3,129,981</u>
\$ 40,365	\$ -	\$ -	\$ 182,241
-	-	-	-
-	-	-	420,000
<u>40,365</u>	<u>-</u>	<u>-</u>	<u>602,241</u>
-	-	-	-
-	-	-	-
-	-	-	768,661
-	-	11,183	106,663
-	1,374,067	-	1,374,067
-	-	-	-
-	-	-	206,429
48,354	-	-	48,354
-	-	-	23,566
-	-	-	-
<u>48,354</u>	<u>1,374,067</u>	<u>11,183</u>	<u>2,527,740</u>
<u>\$ 88,719</u>	<u>\$ 1,374,067</u>	<u>\$ 11,183</u>	<u>\$ 3,129,981</u>

CITY OF GAINESVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	MUNICIPAL COURT TECH.	MUNICIPAL COURT SECURITY	HOTEL/ MOTEL
REVENUES			
Taxes:			
Ad Valorem Taxes	\$ -	\$ -	\$ -
Sales Taxes	-	-	-
Occupancy Tax	-	-	652,186
Service Charges	-	-	-
License & Permits	-	-	-
Fines & Forfeitures	7,472	5,723	-
Investment Income	6	11	1,087
Intergovernmental Revenues	-	-	-
Other Income	-	-	-
TOTAL REVENUES	<u>7,478</u>	<u>5,734</u>	<u>653,273</u>
EXPENDITURES			
Current:			
General Government	-	-	133,902
Community Development	-	-	-
Finance	-	-	-
Public Safety	5,824	3,325	-
Public Works	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Bond Issuance Costs	-	-	-
Capital Outlay	-	-	-
TOTAL EXPENDITURES	<u>5,824</u>	<u>3,325</u>	<u>133,902</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,654</u>	<u>2,409</u>	<u>519,371</u>
OTHER FINANCING SOURCES (USES):			
Issuance of Debt	-	-	-
Funds Transferred In	-	-	-
Funds Transferred Out	-	(4,213)	(352,644)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(4,213)</u>	<u>(352,644)</u>
NET CHANGE IN FUND BALANCES	<u>1,654</u>	<u>(1,804)</u>	<u>166,727</u>
FUND BALANCE - October 1	<u>1,983</u>	<u>1,804</u>	<u>601,934</u>
FUND BALANCE - September 30	<u>\$ 3,637</u>	<u>\$ -</u>	<u>\$ 768,661</u>

G.I.V.E	JUVENILE CASE MANAGER	MEDAL OF HONOR	CITY ATHLETIC FIELDS	STANFORD HOUSE	CABLE PEG FEE FUND
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	16,364	4,300	-
-	8,707	-	-	-	32,159
-	14	20	36	3,600	100
-	-	-	-	-	-
2,011	-	50,204	-	74,952	-
<u>2,011</u>	<u>8,721</u>	<u>50,224</u>	<u>16,400</u>	<u>82,852</u>	<u>32,259</u>
3,013	-	50,224	-	88,282	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	19,539	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	797	-	5,428
<u>3,013</u>	<u>-</u>	<u>50,224</u>	<u>20,336</u>	<u>88,282</u>	<u>5,428</u>
<u>(1,002)</u>	<u>8,721</u>	<u>-</u>	<u>(3,936)</u>	<u>(5,430)</u>	<u>26,831</u>
976	-	-	99	-	-
(99)	(8,721)	-	-	-	-
<u>877</u>	<u>(8,721)</u>	<u>-</u>	<u>99</u>	<u>-</u>	<u>-</u>
(125)	-	-	(3,837)	(5,430)	26,831
125	-	-	27,403	211,859	59,993
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,566</u>	<u>\$ 206,429</u>	<u>\$ 86,824</u>

CITY OF GAINESVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	SPECIAL REVENUE FUNDS		CONSTRUCTION PROJECTS		FUNDS	PERMANENT FUNDS		TOTAL
	FEDERAL SEIZURE FUND	STATE SEIZURE FUND	2008 GENERAL OBLIG BONDS	SWIMMING POOL CONSTRUCTION	CONSTRUCTION PROJECTS FUND	CEMETERY PERMANENT	COHEN SCHOLARSHIP	
REVENUES								
Taxes:								
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Occupancy Tax	-	-	-	-	-	-	-	652,186
Service Charges	-	-	-	-	-	-	-	20,664
License & Permits	-	-	-	-	-	-	-	32,159
Fines & Forfeitures	-	-	-	-	-	-	-	21,902
Investment Income	7	18	-	1,213	215	3,347	12	9,686
Intergovernmental Revenues	-	-	300,000	-	-	-	-	300,000
Other Income	-	8,982	-	4,430	-	46,320	-	186,899
TOTAL REVENUES	<u>7</u>	<u>9,000</u>	<u>300,000</u>	<u>5,643</u>	<u>215</u>	<u>49,667</u>	<u>12</u>	<u>1,223,496</u>
EXPENDITURES								
Current:								
General Government			162				500	276,083
Community Development			-				-	-
Finance			-				-	-
Public Safety		16,558	-		1,078			26,785
Public Works			-	558	2,940			23,037
Debt Service:								
Principal								
Interest								
Bond Issuance Costs								
Capital Outlay		3,570	760,389	1,613,169	560,270			2,943,623
TOTAL EXPENDITURES		<u>20,128</u>	<u>760,551</u>	<u>1,613,727</u>	<u>564,288</u>	<u>-</u>	<u>500</u>	<u>3,269,528</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>7</u>	<u>(11,128)</u>	<u>(460,551)</u>	<u>(1,608,084)</u>	<u>(564,073)</u>	<u>49,667</u>	<u>(488)</u>	<u>(2,046,032)</u>
OTHER FINANCING SOURCES (USES):								
Issuance of Debt	-	-	-	-				
Funds Transferred In	-	-	460,551	4,470	180,938			647,034
Funds Transferred Out	-	-	-	-		(3,346)		(369,023)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>460,551</u>	<u>4,470</u>	<u>180,938</u>	<u>(3,346)</u>	<u>-</u>	<u>278,011</u>
NET CHANGE IN FUND BALANCES	<u>7</u>	<u>(11,128)</u>	<u>-</u>	<u>(1,603,614)</u>	<u>(383,135)</u>	<u>46,321</u>	<u>(488)</u>	<u>(1,768,021)</u>
FUND BALANCE - October 1	<u>2,949</u>	<u>13,191</u>	<u>-</u>	<u>1,603,614</u>	<u>431,489</u>	<u>1,327,746</u>	<u>11,671</u>	<u>4,295,761</u>
FUND BALANCE - September 30	<u>\$ 2,956</u>	<u>\$ 2,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,354</u>	<u>\$ 1,374,067</u>	<u>\$ 11,183</u>	<u>\$ 2,527,740</u>



Budgetary Comparison Schedules

Major Governmental Funds

CITY OF GAINESVILLE, TEXAS
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Ad Valorem Taxes	\$ 1,781,532	\$ 1,781,532	\$ 1,808,892	\$ 27,360
Investment Income	2,000	2,000	1,416	(584)
Other Income	11,160	11,160	19,440	8,280
TOTAL REVENUES	<u>1,794,692</u>	<u>1,794,692</u>	<u>1,829,748</u>	<u>35,056</u>
EXPENDITURES				
Current:				
General Government	102,494	69,500	87,103	(17,603)
Debt Service				
Principal Retirement	1,375,923	1,375,923	1,375,923	-
Interest and Fiscal Charges	693,058	726,052	741,728	(15,676)
TOTAL EXPENDITURES	<u>2,171,475</u>	<u>2,171,475</u>	<u>2,204,754</u>	<u>(33,279)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(376,783)</u>	<u>(376,783)</u>	<u>(375,006)</u>	<u>1,777</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	386,302	386,302	421,696	35,394
Funds Transferred Out	(9,269)	(9,269)	(44,455)	(35,186)
TOTAL OTHER FINANCING SOURCES (USES)	<u>377,033</u>	<u>377,033</u>	<u>377,241</u>	<u>208</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	250	250	2,235	1,985
FUND BALANCE - October 1	<u>1,022,513</u>	<u>1,022,513</u>	<u>1,022,513</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 1,022,763</u>	<u>\$ 1,022,763</u>	<u>\$ 1,024,748</u>	<u>\$ 1,985</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GAINESVILLE, TEXAS
ASSIGNED GENERAL CAPITAL
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>BUDGET</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ -
Investment Income	-	-	235	235
Other Income	-	-	1,035,994	1,035,994
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>1,036,229</u>	<u>1,036,229</u>
EXPENDITURES				
Current:				
General Government	-	-	8,000	(8,000)
Capital Outlay	1,560,750	1,560,750	1,224,672	336,078
Total EXPENDITURES	<u>1,560,750</u>	<u>1,560,750</u>	<u>1,232,672</u>	<u>328,078</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,560,750)</u>	<u>(1,560,750)</u>	<u>(196,443)</u>	<u>1,364,307</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	2,254,213	2,254,213	2,738,521	484,308
Funds Transferred Out	-	-	(1,620)	(1,620)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,254,213</u>	<u>2,254,213</u>	<u>2,736,901</u>	<u>482,688</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	693,463	693,463	2,540,458	1,846,995
FUND BALANCE - October 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 693,463</u>	<u>\$ 693,463</u>	<u>\$ 2,540,458</u>	<u>\$ 1,846,995</u>



Budgetary Comparison Schedules

Nonmajor Governmental Funds

**CITY OF GAINESVILLE, TEXAS
MUNICIPAL COURT TECHNOLOGY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines & Forfeitures	\$ 11,000	\$ 11,000	\$ 7,472	\$ (3,528)
Investment Income	-	-	6	6
Other Income	-	-	-	-
TOTAL REVENUES	<u>11,000</u>	<u>11,000</u>	<u>7,478</u>	<u>(3,522)</u>
EXPENDITURES				
Current:				
Public Safety	<u>10,900</u>	<u>4,900</u>	<u>5,824</u>	<u>(924)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>100</u>	<u>6,100</u>	<u>1,654</u>	<u>(4,446)</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>100</u>	<u>6,100</u>	<u>1,654</u>	<u>(4,446)</u>
FUND BALANCE - October 1	<u>1,983</u>	<u>1,983</u>	<u>1,983</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 2,083</u>	<u>\$ 8,083</u>	<u>\$ 3,637</u>	<u>\$ (4,446)</u>

CITY OF GAINESVILLE, TEXAS
MUNICIPAL COURT SECURITY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines & Forfeitures	\$ 8,500	\$ 8,500	\$ 5,723	\$ (2,777)
Investment Income	-	-	11	11
Other Income	-	-	-	-
TOTAL REVENUES	<u>8,500</u>	<u>8,500</u>	<u>5,734</u>	<u>(2,766)</u>
EXPENDITURES				
Current:				
Public Safety	8,000	3,000	3,325	(325)
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>8,000</u>	<u>3,000</u>	<u>3,325</u>	<u>(325)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>500</u>	<u>5,500</u>	<u>2,409</u>	<u>(3,091)</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In				
Funds Transferred Out	-	-	(4,213)	(4,213)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(4,213)</u>	<u>(4,213)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>500</u>	<u>5,500</u>	<u>(1,804)</u>	<u>(7,304)</u>
FUND BALANCE - October 1	<u>1,804</u>	<u>1,804</u>	<u>1,804</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 2,304</u>	<u>\$ 7,304</u>	<u>\$ -</u>	<u>\$ (7,304)</u>

CITY OF GAINESVILLE, TEXAS
HOTEL/MOTEL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>BUDGET</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Other Local Taxes	\$ 517,500	\$ 517,500	\$ 652,186	\$ 134,686
Investment Income	750	750	1,087	337
Other Income	-	-	-	-
TOTAL REVENUES	<u>518,250</u>	<u>518,250</u>	<u>653,273</u>	<u>135,023</u>
EXPENDITURES				
Current:				
General Government	149,500	149,500	133,902	15,598
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>149,500</u>	<u>149,500</u>	<u>133,902</u>	<u>15,598</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>368,750</u>	<u>368,750</u>	<u>519,371</u>	<u>150,621</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	(352,644)	(347,644)	(352,644)	(5,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(352,644)</u>	<u>(347,644)</u>	<u>(352,644)</u>	<u>(5,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	16,106	21,106	166,727	145,621
FUND BALANCE - October 1	<u>601,934</u>	<u>601,934</u>	<u>601,934</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 618,040</u>	<u>\$ 623,040</u>	<u>\$ 768,661</u>	<u>\$ 145,621</u>

CITY OF GAINESVILLE, TEXAS
G.I.V.E. FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>BUDGET</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ -
Investment Income	-	-	-	-
Other Income	2,181	2,181	2,011	(170)
TOTAL REVENUES	<u>2,181</u>	<u>2,181</u>	<u>2,011</u>	<u>(170)</u>
EXPENDITURES				
Current:				
General Government	<u>2,181</u>	<u>2,181</u>	<u>3,013</u>	<u>(832)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(1,002)</u>	<u>(1,002)</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	976	976
Funds Transferred (Out)	-	-	(99)	(99)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>877</u>	<u>877</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES			(125)	(125)
FUND BALANCE - October 1	<u>125</u>	<u>125</u>	<u>125</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 125</u>	<u>\$ 125</u>	<u>\$ -</u>	<u>\$ (125)</u>

CITY OF GAINESVILLE, TEXAS
JUVENILE CASE MANAGER
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines & Forfeitures	\$ 12,000	\$ 12,000	\$ 8,707	\$ (3,293)
Investment Income	20	20	14	(6)
Other Income	-	-	-	-
TOTAL REVENUES	<u>12,020</u>	<u>12,020</u>	<u>8,721</u>	<u>(3,299)</u>
EXPENDITURES				
Current:				
Public Safety	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,020</u>	<u>12,020</u>	<u>8,721</u>	<u>(3,299)</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In				
Funds Transferred Out	(12,000)	(12,000)	(8,721)	3,279
TOTAL OTHER FINANCING SOURCES (USES)	<u>(12,000)</u>	<u>(12,000)</u>	<u>(8,721)</u>	<u>3,279</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	20	20		(20)
FUND BALANCE - October 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 20</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ (20)</u>

CITY OF GAINESVILLE, TEXAS
MEDAL OF HONOR
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	20	20	20	-
Other income	45,000	45,000	50,204	5,204
TOTAL REVENUES	<u>45,020</u>	<u>45,020</u>	<u>50,224</u>	<u>5,204</u>
EXPENDITURES				
Current:				
General Government	<u>45,020</u>	<u>61,429</u>	<u>50,224</u>	<u>11,205</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(16,409)</u>	<u>-</u>	<u>16,409</u>
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	-	-
Funds transferred (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES		<u>(16,409)</u>		<u>16,409</u>
FUND BALANCE -OCTOBER 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ -</u>	<u>\$ (16,409)</u>	<u>\$ -</u>	<u>\$ 16,409</u>

CITY OF GAINESVILLE, TEXAS
CITY ATHLETIC FIELDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Charges for Services	\$ 20,000	\$ 20,000	\$ 16,364	\$ (3,636)
Investment income	35	55	36	(19)
Other income	-	-	-	-
TOTAL REVENUES	<u>20,035</u>	<u>20,055</u>	<u>16,400</u>	<u>(3,655)</u>
EXPENDITURES				
Current:				
Public Works	12,000	15,002	19,539	(4,537)
Capital Outlay	7,000	3,998	797	3,201
TOTAL EXPENDITURES	<u>19,000</u>	<u>19,000</u>	<u>20,336</u>	<u>(1,336)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,035</u>	<u>1,055</u>	<u>(3,936)</u>	<u>(4,991)</u>
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	99	99
Funds transferred (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>99</u>	<u>99</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>1,035</u>	<u>1,055</u>	<u>(3,837)</u>	<u>(4,892)</u>
FUND BALANCE -OCTOBER 1	<u>27,403</u>	<u>27,403</u>	<u>27,403</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 28,438</u>	<u>\$ 28,458</u>	<u>\$ 23,566</u>	<u>\$ (4,892)</u>

CITY OF GAINESVILLE, TEXAS
CABLE PEG FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
License & Permits	\$ 33,270	\$ 33,270	\$ 32,159	\$ (1,111)
Investment Income	50	50	100	50
Other Income	-	-	-	-
TOTAL REVENUES	<u>33,320</u>	<u>33,320</u>	<u>32,259</u>	<u>(1,061)</u>
EXPENDITURES				
Current:				
Public Safety				
Capital Outlay	-	-	5,428	(5,428)
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>5,428</u>	<u>(5,428)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>33,320</u>	<u>33,320</u>	<u>26,831</u>	<u>(6,489)</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In				
Funds Transferred Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>33,320</u>	<u>33,320</u>	<u>26,831</u>	<u>(6,489)</u>
FUND BALANCE - October 1	<u>59,993</u>	<u>59,993</u>	<u>59,993</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 93,313</u>	<u>\$ 93,313</u>	<u>\$ 86,824</u>	<u>\$ (6,489)</u>

CITY OF GAINESVILLE, TEXAS
FEDERAL SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	8	8	7	(1)
Other income	-	-	-	-
TOTAL REVENUES	<u>8</u>	<u>8</u>	<u>7</u>	<u>(1)</u>
EXPENDITURES				
Current:				
Public Works	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>8</u>	<u>8</u>	<u>7</u>	<u>(1)</u>
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	-	-
Funds transferred (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>8</u>	<u>8</u>	<u>7</u>	<u>(1)</u>
FUND BALANCE -OCTOBER 1	<u>2,949</u>	<u>2,949</u>	<u>2,949</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 2,957</u>	<u>\$ 2,957</u>	<u>\$ 2,956</u>	<u>\$ (1)</u>

CITY OF GAINESVILLE, TEXAS
STATE SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	25	25	18	(7)
Other income	5,000	5,000	8,982	3,982
TOTAL REVENUES	<u>5,025</u>	<u>5,025</u>	<u>9,000</u>	<u>3,975</u>
EXPENDITURES				
Current:				
Public Safety	10,395	1,375	16,558	(15,183)
Capital Outlay	1,320	1,320	3,570	(2,250)
TOTAL EXPENDITURES	<u>11,715</u>	<u>2,695</u>	<u>20,128</u>	<u>(17,433)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,690)</u>	<u>2,330</u>	<u>(11,128)</u>	<u>(13,458)</u>
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	-	-
Funds transferred (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(6,690)</u>	<u>2,330</u>	<u>(11,128)</u>	<u>(13,458)</u>
FUND BALANCE -OCTOBER 1	<u>13,191</u>	<u>13,191</u>	<u>13,191</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 6,501</u>	<u>\$ 15,521</u>	<u>\$ 2,063</u>	<u>\$ (13,458)</u>

CITY OF GAINESVILLE, TEXAS
CEMETERY PERMANENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>BUDGET</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	3,000	3,000	1,580	(1,420)
Other income	32,000	32,081	54,945	22,864
TOTAL REVENUES	<u>35,000</u>	<u>35,081</u>	<u>56,525</u>	<u>21,444</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>35,000</u>	<u>35,081</u>	<u>56,525</u>	<u>21,444</u>
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	-	-
Funds transferred (out)	(3,000)	(3,000)	(1,581)	1,419
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,000)</u>	<u>(3,000)</u>	<u>(1,581)</u>	<u>1,419</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	32,000	32,081	54,944	22,863
FUND BALANCE -OCTOBER 1	<u>1,272,802</u>	<u>1,272,802</u>	<u>1,272,802</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 1,304,802</u>	<u>\$ 1,304,883</u>	<u>\$ 1,327,746</u>	<u>\$ 22,863</u>

CITY OF GAINESVILLE, TEXAS
COHEN SCHOLARSHIP PERMANENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	10	10	13	3
Other income	-	-	-	-
TOTAL REVENUES	<u>10</u>	<u>10</u>	<u>13</u>	<u>3</u>
EXPENDITURES				
Current:				
General government	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(490)</u>	<u>(490)</u>	<u>13</u>	<u>503</u>
OTHER FINANCING SOURCES (USES)				
Funds transferred in				
Funds transferred (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(490)</u>	<u>(490)</u>	<u>13</u>	<u>503</u>
FUND BALANCE -OCTOBER 1	<u>11,658</u>	<u>11,658</u>	<u>11,658</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 11,168</u>	<u>\$ 11,168</u>	<u>\$ 11,671</u>	<u>\$ 503</u>



Capital Assets
Used in the Operation
Of Governmental Funds

CITY OF GAINESVILLE, TEXAS
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
September 30, 2013

Governmental Funds Capital Assets:	
Land	\$ 1,008,493
Buildings	9,458,543
Improvements other than Building	84,424,929
Machinery and Equipment	6,235,768
Furniture and Fixtures	196,026
Office Machinery and Equipment	2,120,029
Construction in Progress	<u>4,913,148</u>
 Total Governmental Funds Capital Assets	 <u>\$ 108,356,936</u>
 Investment in Governmental Funds Capital Assets by Source:	
General Fund	\$ 80,621,906
Capital Project Funds	23,111,410
Special Revenue Funds	3,360,814
Permanent Funds	<u>1,262,806</u>
 Total Investment in Governmental Capital Assets	 <u>\$ 108,356,936</u>

This schedule presents only the capital asset balances related to governmental funds.

CITY OF GAINESVILLE, TEXAS
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
September 30, 2013

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Furniture and Fixtures	Office Mach. and Equipment	Construction In Progress	Total
General Government:								
Administration	\$ 158,971	\$ 479,528	\$ -	\$ 16,621	\$ -	\$ 43,118	\$ -	\$ 698,238
Main Street Program	-	-	330,873	-	-	-	-	330,873
Building Operations	74,132	5,609,234	896,407	44,417	177,808	13,269	-	6,815,267
Civic Center Operations	-	1,600,263	156,328	1,674	-	-	-	1,758,265
Community Development	45,351	-	19,256	28,309	-	60,304	-	153,220
Cable Peg Fund	-	612,862	-	1,299	-	-	-	614,161
Finance	-	-	-	-	-	292,879	-	292,879
Total General Government	278,454	8,301,887	1,402,864	92,320	177,808	409,570	-	10,662,903
Public Safety:								
Police	-	276,302	124,622	1,551,325	18,218	1,522,315	-	3,492,782
Fire	-	119,687	-	1,736,960	-	121,200	-	1,977,847
Total Public Safety	-	395,989	124,622	3,288,285	18,218	1,643,515	-	5,470,629
Public Works:								
Administration	-	77,011	-	-	-	50,548	-	127,559
Street Maintenance	600,013	184,179	75,214,709	1,849,684	-	16,396	4,913,148	82,778,129
Central Garage	-	-	-	185,175	-	-	-	185,175
Stormwater Project	43,106	-	717,283	-	-	-	-	760,389
Parks and Recreation	20,920	250,127	3,141,980	424,473	-	-	-	3,837,500
Zoo Operations	-	45,980	2,668,919	99,348	-	-	-	2,814,247
Cemetery Operations	-	17,304	-	124,539	-	-	-	141,843
Total Public Works	664,039	574,601	81,742,891	2,683,219	-	66,944	4,913,148	90,644,842
Community Services:								
Parks and Recreation	66,000	135,972	262,167	70,349	-	-	-	534,488
Zoo	-	50,094	488,022	-	-	-	-	538,116
Inspections	-	-	-	37,224	-	-	-	37,224
Environmental Health	-	-	-	38,311	-	-	-	38,311
Cemetery	-	-	404,363	26,060	-	-	-	430,423
Total Community Services	66,000	186,066	1,154,552	171,944	-	-	-	1,578,562
Total Governmental Capital Assets	\$ 1,008,493	\$ 9,458,543	\$ 84,424,929	\$ 6,235,768	\$ 196,026	\$ 2,120,029	\$ 4,913,148	\$ 108,356,936

CITY OF GAINESVILLE, TEXAS
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Function and Activity	Balance 10/1/2011	Additions/ Completions	Disposals/ Reclassifications	Transfers	Balance 9/30/2013
General Government:					
Administration	\$ 694,473	\$ -	\$ -	\$ 3,765	\$ 698,238
Main Street Program	298,168	32,705	-	-	330,873
Building Operations	7,340,063	240,836	-	(765,632)	6,815,267
Civic Center Operations	1,685,949	72,316	-	-	1,758,265
Community Development	66,714	72,621	-	13,885	153,220
Cable Peg Fund	-	5,428	-	608,733	614,161
Finance	292,877	2	-	-	292,879
Total General Government	10,378,244	423,908	-	(139,249)	10,662,903
Public Safety:					
Police	3,203,814	308,159	-	(19,191)	3,492,782
Fire	2,436,379	400,740	-	(859,272)	1,977,847
Total Public Safety	5,640,193	708,899	-	(878,463)	5,470,629
Public Works:					
Administration	127,559	-	-	-	127,559
Street Maintenance	82,948,503	3,776,335	-	(3,946,709)	82,778,129
Central Garage	182,919	1,128	-	1,128	185,175
Stormwater Project	-	160,728	-	599,661	760,389
Parks and Recreation	1,365,884	1,651,244	-	820,372	3,837,500
Zoo Operations	2,775,342	72,293	(33,388)	-	2,814,247
Other Operations	112,325	29,518	-	-	141,843
Total Public Works	87,512,532	5,691,246	(33,388)	(2,525,548)	90,644,842
Community Services:					
Parks and Recreation	534,488	-	-	-	534,488
Zoo	538,116	-	-	-	538,116
Inspenctions	37,224	-	-	-	37,224
Environmental Health	38,311	-	-	-	38,311
Cemetery	457,125	-	-	(26,702)	430,423
Total Community Services	1,605,264	-	-	(26,702)	1,578,562
Total Governmental Capital Assets	\$ 105,136,233	\$ 6,824,053	\$ (33,388)	\$ (3,569,962)	\$ 108,356,936

This schedule presents only the capital asset balances related to governmental funds.

STATISTICAL SECTION

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

The following schedules are grouped by areas of information, as described below:

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	105
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources that include charges for services in Water & Sewer Fund and Solid Waste Fund, property tax and sales tax.	113
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	125
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	128
Operating Information These schedules contain personnel, service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	130

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



Statistical Section

**City of Gainesville, Texas
Net Assets by Component
Last Ten Fiscal Years**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Invested in capital assets										
net of related debt	\$ 276,793	\$ (127,020)	\$ 57,472	\$ 392,926	\$ 779,029	\$ 2,978,341	\$ 2,633,311	\$ (1,359,842)	\$ (1,209,809)	\$ 4,129,634
Restricted	1,131,480	1,050,393	1,109,828	1,153,826	1,173,937	1,208,887	1,241,202	1,272,802	1,327,746	1,374,067
Unrestricted	953,260	418,958	676,384	2,135,879	4,224,966	4,885,310	6,487,507	13,574,502	18,787,054	15,860,901
Total governmental activities net assets	\$ 2,361,533	\$ 1,342,331	\$ 1,843,684	\$ 3,682,631	\$ 6,177,932	\$ 9,072,538	\$ 10,362,020	\$ 13,487,462	\$ 18,904,991	\$ 21,364,602
Business-type activities										
Invested in capital assets										
net of related debt	\$ 5,322,173	\$ 4,370,183	\$ 4,000,256	\$ 3,437,721	\$ 3,440,372	\$ 3,394,196	\$ 1,955,664	\$ 5,535,078	\$ 6,282,114	\$ 7,684,214
Restricted	0	0	0	0	0	0	0	0	0	0
Unrestricted	(1,091,579)	(789,552)	59,311	714,675	1,361,440	2,474,873	5,468,599	3,852,677	4,447,825	5,531,782
Total business-type activities net assets	\$ 4,230,594	\$ 3,580,631	\$ 4,059,567	\$ 4,152,396	\$ 4,801,812	\$ 5,869,069	\$ 7,424,263	\$ 9,387,755	\$ 10,729,939	\$ 13,215,996
Primary government										
Invested in capital assets										
net of related debt	\$ 5,598,966	\$ 4,243,163	\$ 4,057,728	\$ 3,830,647	\$ 4,219,401	\$ 4,219,401	\$ 6,372,537	\$ 4,588,975	\$ 5,072,305	\$ 11,813,848
Restricted	1,131,480	1,050,393	1,109,828	1,153,826	1,173,937	1,173,937	1,208,887	1,241,202	1,327,746	1,374,067
Unrestricted	(138,319)	(370,594)	735,695	2,850,554	5,586,406	5,586,406	7,360,183	11,956,106	23,234,879	21,392,683
Total primary government net assets	\$ 6,592,127	\$ 4,922,962	\$ 5,903,251	\$ 7,835,027	\$ 10,979,744	\$ 14,941,607	\$ 17,786,283	\$ 22,875,217	\$ 29,634,930	\$ 34,580,598

**City of Gainesville, Texas
Changes in Net Assets
Last Ten Fiscal Years**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
General Government	\$1,794,373	\$1,978,374	\$1,884,436	\$2,075,083	\$2,262,132	\$1,956,841	\$2,029,423	\$2,043,290	\$2,041,635	\$2,036,650
Community Development	403,837	346,006	739,496	276,415	349,900	354,000	410,999	347,571	375,589	488,974
Community Services	0	280,376	0	0	0	0	0	0	0	0
Finance	430,252	418,343	448,742	448,207	431,430	399,885	401,758	400,922	406,189	462,758
Public Safety	6,390,795	6,618,978	6,663,618	6,891,589	7,164,808	7,191,305	7,462,751	7,747,905	7,661,491	8,108,422
General/Public Services	3,009,567	3,599,025	3,707,325	4,035,694	4,130,729	3,630,306	3,419,627	3,347,486	3,376,631	3,572,040
Non-Departmental	0	0	0	0	0	20,163	0	0	0	0
Interest on Long-Term Debt	706,156	692,445	716,205	484,224	536,201	530,804	450,764	808,937	674,442	703,793
Total Governmental Activities Expenses	12,734,980	13,933,547	14,159,822	14,211,212	14,875,200	14,083,304	14,175,322	14,696,111	14,535,977	15,372,637
Business-Type Activities:										
Water and Sewer	5,215,267	5,434,770	5,537,915	5,518,745	5,473,198	5,525,366	5,539,750	5,890,140	5,707,742	5,532,425
Municipal Airport	737,528	1,085,905	1,159,891	1,264,900	1,563,695	1,072,340	1,097,044	1,339,425	1,382,664	1,254,272
Golf Course	404,692	448,445	513,501	543,412	617,356	582,525	550,564	558,961	424,216	387,220
Stormwater	212,002	204,319	322,836	286,029	320,769	442,089	393,324	194,267	226,363	261,470
Solid Waste	2,706,811	2,415,911	2,647,006	2,692,962	2,782,776	2,581,076	2,446,737	2,316,359	2,653,827	2,638,857
Total Business-Type Activities Expenses	9,276,300	9,589,350	10,181,149	10,306,048	10,757,794	10,203,396	10,027,419	10,299,152	10,394,812	10,074,244
Total Primary Government Expenses	\$22,011,280	\$23,522,897	\$24,340,971	\$24,517,260	\$25,632,994	\$24,286,700	\$24,202,741	\$24,995,263	\$24,930,789	\$25,446,881
Program Revenues										
Governmental Activities:										
Fines, Fees, Charges for Services										
General Government	\$0	\$0	\$0	\$25,000	\$25,000	\$0	\$0	\$0	\$40,808	\$0
Community Development	335,445	555,136	752,026	725,940	851,088	392,201	372,813	481,946	546,688	560,554
Public Safety	637,607	464,285	497,638	505,799	587,271	467,336	425,670	471,929	361,494	123,184
General/Public Services	0	0	0	0	0	453,436	453,449	518,943	533,552	605,825
Operating Grants and Contributions	295,889	125,861	523,173	883,906	385,352	1,480,927	235,593	268,736	259,748	409,629
Total Governmental Activities Program Revenue:	1,268,941	1,145,282	1,772,837	2,140,645	1,848,711	2,793,900	1,487,525	1,741,554	1,742,290	1,699,192

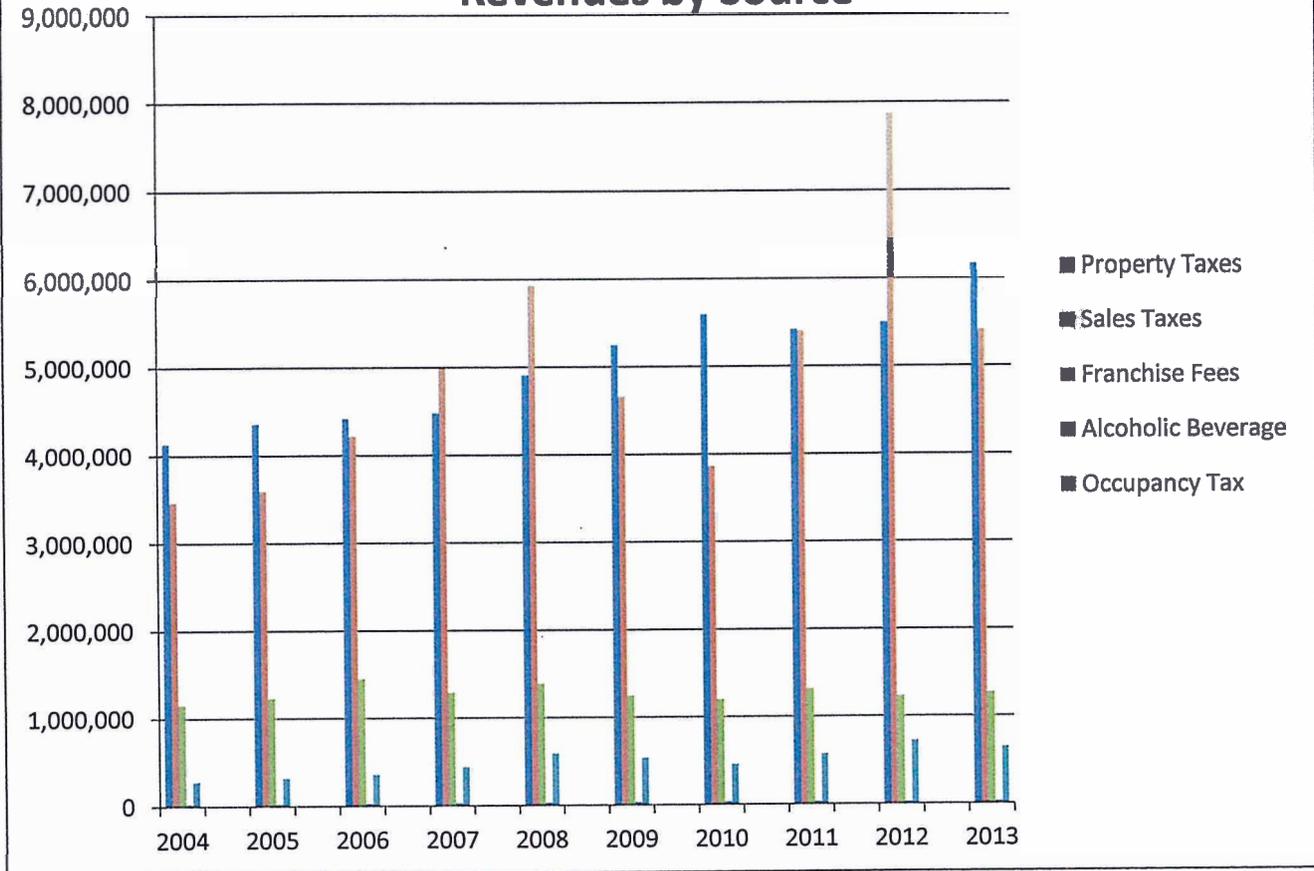
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Revenues (continued)										
Business-Type Activities:										
Fines, Fees, Charges for Services										
Water and Sewer	\$5,813,674	\$5,696,476	\$6,856,607	\$6,747,113	\$6,958,762	\$7,262,043	\$7,106,996	\$7,691,710	\$7,803,192	\$7,494,981
Municipal Airport	652,730	717,675	923,305	961,110	1,263,399	878,792	896,501	1,132,279	1,164,363	1,141,161
Golf Course	184,063	290,373	322,630	250,432	366,356	345,795	285,532	270,195	76,110	172,214
Stormwater	239,705	407,873	513,261	545,569	551,395	963,149	960,287	949,795	952,558	1,003,269
Solid Waste	3,408,370	3,282,338	3,689,012	3,843,877	3,817,914	3,490,902	3,395,912	3,591,358	3,798,315	4,383,827
Operating Grants and Contributions	2,633,788	448,851	136,933	76,539	90,123	185,616	919,693	377,385	276,940	0
Total Business-Type Activities Program Revenue	12,932,330	10,843,586	12,441,748	12,424,640	13,047,949	13,126,297	13,564,921	14,012,722	14,071,478	14,195,452
Total Primary Government Program Revenues	\$14,201,271	\$11,988,868	\$14,214,585	\$14,565,285	\$14,896,660	\$15,920,197	\$15,052,446	\$15,754,276	\$15,813,768	\$15,894,644
Net (Expense)/Revenue										
Governmental Activities	(\$11,466,039)	(\$12,788,265)	(\$12,386,985)	(\$12,070,567)	(\$13,026,489)	(\$11,289,404)	(\$12,687,797)	(\$12,954,557)	(\$12,793,687)	(\$13,673,445)
Business-Type Activities	3,656,030	1,254,236	2,260,599	2,118,592	2,290,155	2,922,901	3,537,502	3,713,570	3,676,666	4,121,208
Total Primary Government	(\$7,810,009)	(\$11,534,029)	(\$10,126,386)	(\$9,951,975)	(\$10,736,334)	(\$8,366,503)	(\$9,150,295)	(\$9,240,987)	(\$9,117,021)	(\$9,552,237)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes										
Property Taxes	\$4,129,125	\$4,358,949	\$4,421,385	\$4,482,892	\$4,891,706	\$5,254,558	\$5,626,157	\$5,424,213	\$5,501,785	\$6,186,065
Sales Taxes	3,455,752	3,587,092	4,211,791	5,026,128	6,052,952	4,442,416	3,961,931	5,401,018	7,875,346	5,409,389
Other Taxes & Fees	1,454,048	1,577,858	1,840,505	1,761,358	2,015,097	1,822,054	1,697,810	1,935,302	1,993,321	1,954,504
Investment Income	56,086	43,262	87,331	152,191	134,030	78,460	31,581	32,797	25,372	26,219
Miscellaneous	383,375	267,912	470,074	450,333	364,550	514,287	657,349	1,322,069	476,078	439,114
Transfers In (Out)	1,226,152	1,933,990	1,857,252	2,036,612	2,063,455	1,979,229	2,002,451	2,108,944	2,339,314	2,514,642
Total Government Activities	10,704,538	11,769,063	12,888,338	13,909,514	15,521,790	14,091,004	13,977,279	16,224,343	18,211,216	16,529,933
Business-Type Activities:										
Investment Income	1,951	29,791	9,151	36,710	34,741	39,618	11,181	4,462	4,832	6,678
Miscellaneous	0	0	0	347,374	387,975	83,967	8,962	10,000	0	998,514
Transfers In (Out)	(1,226,152)	(1,933,990)	(1,857,252)	(2,036,612)	(2,063,455)	(1,979,229)	(2,002,451)	(2,108,944)	(2,339,314)	(2,514,642)
Total Business-Type Activities	(1,224,201)	(1,904,199)	(1,848,101)	(1,652,528)	(1,640,739)	(1,855,644)	(1,982,308)	(2,094,482)	(2,334,482)	(1,509,450)
Total Primary Government	\$9,480,337	\$9,864,864	\$11,040,237	\$12,256,986	\$13,881,051	\$12,235,360	\$11,994,971	\$14,129,861	\$15,876,734	\$15,020,483
Change in Net Assets										
Governmental Activities	(\$761,501)	(\$1,019,202)	\$501,353	\$1,838,947	\$2,495,301	\$2,801,600	\$1,289,482	\$3,269,786	\$5,417,529	\$2,856,488
Business-Type Activities	2,431,829	(649,963)	412,498	466,064	649,416	1,067,257	1,555,194	1,619,088	1,342,184	2,611,758
Total Primary Government	\$1,670,328	(\$1,669,165)	\$913,851	\$2,305,011	\$3,144,717	\$3,868,857	\$2,844,676	\$4,888,874	\$6,759,713	\$5,468,246

City of Gainesville, Texas
Governmental Activities Tax and Franchise Fee Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Property Taxes	Sales Taxes	Franchise Fees	Alcoholic Beverage Taxes	Occupancy Tax	Total
2004	\$ 4,129,125	\$ 3,455,752	\$ 1,156,084	\$ 21,699	\$ 276,265	\$ 9,038,925
2005	4,358,949	3,587,092	1,232,607	23,674	321,577	9,523,899
2006	4,421,385	4,211,791	1,452,555	29,906	358,044	10,473,681
2007	4,477,453	4,989,105	1,290,673	29,557	441,128	11,227,916
2008	4,907,152	5,929,819	1,389,550	31,542	594,005	12,852,068
2009	5,246,238	4,653,940	1,250,451	31,845	539,758	11,722,232
2010	5,598,223	3,854,804	1,200,729	35,672	461,409	11,150,837
2011	5,424,213	5,401,018	1,321,800	32,358	581,144	12,760,533
2012	5,501,785	7,875,346	1,236,765	26,115	730,441	15,370,452
2013	\$ 6,186,065	\$ 5,409,389	\$ 1,273,521	\$ 28,797	\$ 652,186	\$ 13,549,958

Statement of Rev and Exp and changes in Fund Balances

Governmental Activities Tax and Franchise Fee Revenues by Source



City of Gainesville, Texas
Fund Balances of Governmental Funds
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$30,470	\$38,619	\$43,656	\$19,235	\$40,530	\$428	\$628	\$0	\$0	\$0
Unreserved	333,032	370,806	1,007,234	1,938,783	3,385,907	4,224,247	5,051,487	0	0	0
Nonspendable	0	0	0	0	0	0	0	459	0	770
Assigned:										
Stanford House	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	2,254,213	0
Other	0	0	0	0	0	0	0	0	0	0
Unassigned	0	0	0	0	0	0	0	6,679,703	6,880,162	7,216,399
Total General Fund	\$363,502	\$409,425	\$1,050,890	\$1,958,018	\$3,426,437	\$4,224,675	\$5,052,115	\$6,680,162	\$9,134,375	\$7,217,169
All Other Governmental Funds										
Reserved	\$2,385,997	\$2,158,137	\$1,127,641	\$1,404,099	\$2,208,169	\$1,875,114	\$3,895,572	\$0	\$0	\$0
Unreserved, reported in:										
Special Revenue Funds	171,993	265,083	(764,402)	(590,815)	(88,470)	0	86,580	0	0	0
Capital Projects Funds	677,514	(22,782)	584,107	(65,886)	0	328,115	0	0	0	0
Nonspendable	0	0	0	0	0	0	0	0	0	770
Restricted:										
Debt Service	0	0	0	0	0	0	0	844,347	1,022,513	1,024,748
Construction	0	0	0	0	0	0	0	4,930,607	5,315,306	3,760,040
Tourism and the Arts	0	0	0	0	0	0	0	353,043	601,934	768,661
Other	0	0	0	0	0	0	0	63,139	91,591	106,663
Committed:										
Cemetery	0	0	0	0	0	0	0	1,272,802	1,327,746	1,374,067
Assigned:										
Stanford House	0	0	0	0	0	0	0	162,312	211,859	206,429
Construction	0	0	0	0	0	0	0	114,862	2,035,103	2,564,024
Other	0	0	0	0	0	0	0	18,189	27,528	48,354
Unassigned	0	0	0	0	0	0	0	0	0	7,216,399
Total All Other Governmental Funds	\$3,235,504	\$2,400,438	\$947,346	\$747,398	\$2,119,699	\$2,203,229	\$3,982,152	\$7,759,301	\$10,633,580	\$17,070,155

In FY 2011, the City adopted GASB 54 which redefines how fund balances of the governmental funds are presented in the financial statements.

City of Gainesville, Texas
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Ad Valorem Taxes	\$ 4,025,658	\$ 4,370,272	\$ 4,436,631	\$ 4,477,453	\$ 4,907,152	\$ 5,246,238	\$ 5,598,223	\$ 5,470,155	\$ 5,508,886	\$ 6,200,651
Sales Taxes	3,441,064	3,576,233	4,153,560	4,989,105	5,929,819	4,653,940	3,854,804	5,401,018	7,875,346	5,409,389
Other Local Taxes/Fees	1,454,048	1,577,858	1,840,505	1,761,358	2,015,097	1,822,054	1,697,810	1,935,302	1,993,321	1,954,504
Service Charges	156,120	395,404	508,518	569,915	673,298	672,489	686,216	796,144	835,854	896,422
License & Permits	179,325	159,732	243,508	181,020	202,790	173,148	140,046	204,745	285,195	269,957
Fines & Forfeitures	359,096	483,929	457,731	486,678	476,939	489,252	464,628	367,930	371,319	301,256
Interest from Investments	56,087	43,262	87,332	152,191	134,030	78,460	31,582	32,797	25,370	26,220
Intergovernmental Revenues	295,889	125,861	523,173	883,906	385,352	209,656	309,615	268,736	259,748	409,629
Other Income	383,376	268,167	470,072	450,333	364,548	1,711,537	657,348	1,322,070	485,357	1,441,807
Total Revenues	\$ 10,350,663	\$ 11,000,718	\$ 12,721,030	\$ 13,951,959	\$ 15,089,025	\$ 15,056,774	\$ 13,440,272	\$ 15,798,897	\$ 17,640,396	\$ 16,909,835
Expenditures										
General Government	\$ 1,325,417	\$ 1,507,579	\$ 1,458,781	\$ 1,822,669	\$ 1,551,903	\$ 1,548,379	\$ 1,596,675	\$ 1,516,231	\$ 1,684,168	\$ 1,691,503
Community Development	337,168	341,412	675,742	270,842	351,506	376,869	366,368	313,163	333,267	439,962
Finance	419,019	404,466	435,367	434,032	432,879	375,468	402,465	399,691	401,010	445,875
Public Safety	5,987,596	6,359,967	6,510,645	6,699,091	6,958,067	6,932,074	7,144,821	7,373,057	7,267,715	7,621,916
Public Works	2,734,339	3,025,606	3,243,210	3,483,003	3,532,328	3,098,509	2,945,265	2,872,241	2,868,685	2,981,317
Non-Departmental	0	0	0	0	0	20,163	0	202,193	0	0
Capital Outlay	2,706,361	1,640,257	999,920	1,508,562	827,154	2,200,960	917,862	4,533,090	3,308,994	6,824,053
Debt Service:										
Principal	683,191	851,768	950,260	982,345	1,077,595	1,165,913	978,483	1,039,008	1,189,641	1,375,923
Interest	711,676	684,057	717,684	493,067	542,350	528,907	463,946	774,173	656,586	741,728
Bond Issuance Cost	0	0	0	0	0	0	0	0	70,812	0
Total Expenditures	\$ 14,904,767	\$ 14,815,112	\$ 14,991,609	\$ 15,693,611	\$ 15,273,782	\$ 16,247,242	\$ 14,815,885	\$ 19,022,847	\$ 17,780,878	\$ 22,122,277
Excess of revenues over(under) expenditures	(4,554,104)	(3,814,394)	(2,270,579)	(1,741,652)	(184,757)	(1,190,468)	(1,375,613)	(3,223,950)	(140,482)	(5,212,442)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Other financing Sources (Uses):										
Proceeds from Bond Issues	0	500,000	192,959	412,220	962,020	0	1,979,525	0	3,129,660	0
Proceeds from Leases	0	0	0	0	0	0	0	0	0	0
Funds transferred In	2,111,759	2,342,345	2,711,170	3,247,876	3,626,811	3,480,751	3,338,694	3,816,647	5,543,233	6,493,478
Funds transferred out	(885,608)	(408,355)	(853,915)	(1,211,264)	(1,563,354)	(1,501,522)	(1,336,243)	(1,709,703)	(3,203,919)	(3,978,836)
Total Other Financing Sources(Uses)	1,226,151	2,433,990	2,050,214	2,448,832	3,025,477	1,979,229	3,981,976	2,106,944	5,468,974	2,514,642
Net Change in Fund Balances	(\$3,327,953)	(\$1,380,404)	(\$220,365)	\$707,180	\$2,840,720	\$788,761	\$2,606,363	(\$1,117,006)	\$5,328,492	(\$2,697,800)
Debt Service as a percentage of										
Noncapital Expenditures	11.43%	11.66%	11.92%	10.40%	11.21%	12.07%	10.38%	12.51%	12.76%	13.84%

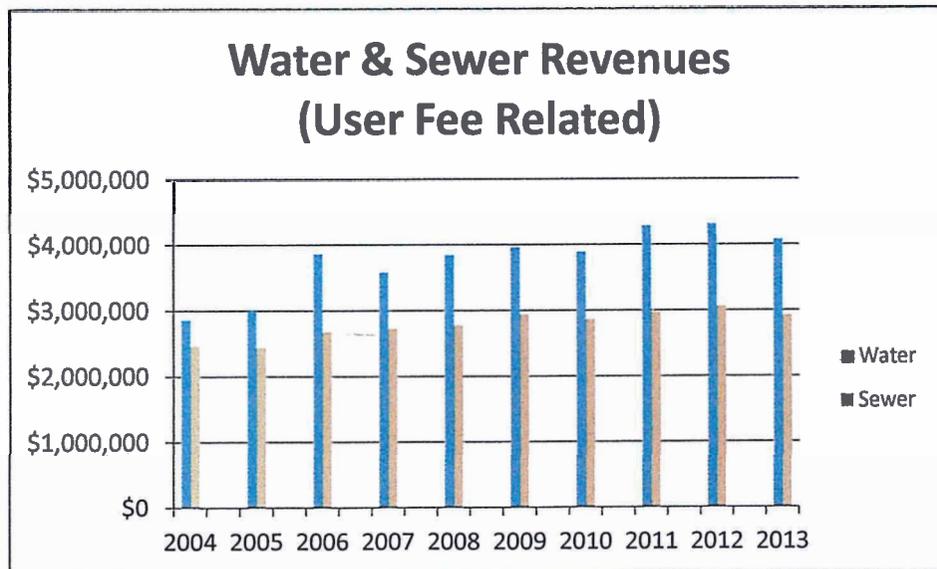
**City of Gainesville, Texas
Water and Sewer Rates-Residential
Last Ten Years**

Fiscal Year	Water Base (per month)	Water Rate (per 1000 gals)	Sewer Base (per month)	Sewer Rate (per 1000 gals)
2004	\$13.28	\$1.76	\$14.33	\$2.64
2005	15.00	2.91	14.33	2.64
2006	15.90	3.09	15.19	2.80
2007	17.37	3.38	15.80	2.91
2008	17.37	3.38	15.80	2.91
2009	18.41	3.58	16.91	3.11
2010	18.41	3.58	16.91	3.11
2011	18.41	3.58	16.91	3.11
2012	18.96	3.69	17.42	3.20
2013	\$18.96	\$3.69	\$17.42	\$3.20

Source: City of Gainesville Customer Service

**City of Gainesville, Texas
Water and Sewer Revenues
Last Ten Fiscal Years**

Fiscal Year	Water Related Revenues	Sewer Related Revenues	Total
2004	\$2,875,463	\$2,468,430	\$5,343,893
2005	3,000,823	2,446,393	5,447,216
2006	3,873,001	2,686,232	6,559,233
2007	3,599,687	2,734,583	6,334,270
2008	3,861,338	2,781,184	6,642,522
2009	3,978,644	2,951,698	6,930,342
2010	3,905,808	2,875,628	6,781,436
2011	4,300,165	2,983,965	7,284,130
2012	4,324,687	3,067,266	7,391,953
2013	\$4,090,186	\$2,927,470	\$7,017,656



**City of Gainesville, Texas
Ten Largest Consumers of Water
Current Year and Nine Years Ago**

Customer	2013		2004	
	Total Consumption For Customer Rank (in gallons)	Rank	Total Consumption For Customer Rank (in gallons)	Rank
Zodiac (formerly Weber Aircraft)	15,786,080	1	10,922,580	2
Gainesville State School	10,241,000	2	13,218,000	1
Frank Buck Zoo	9,768,700	3	-	-
North Central Texas College	7,326,300	4	7,111,200	5
Pecan Tree Manor	7,147,100	5	-	-
Poly Pipe	4,139,100	6		
Woodglen Apartments	3,796,700	7		
Days Inn	3,774,300	8		
Real Income Partners	3,413,660	9		
Renaissance Care Center	3,362,400	10		
Gainesville ISD	3,272,600	-	7,093,620	6
GAF	2,980,470	-	-	
Gainesville Factory Shops	-	-	5,805,570	7
Walmart			4,360,660	9
A Relaxations			10,000,010	3
AEP	-		7,576,810	4
Renaissance Care Center	-		3,649,300	10
Gainesville Memorial Hospital			5,294,650	8
Total Water Consumption	75,008,410		75,032,400	

Source: City of Gainesville Customer Service

**City of Gainesville, Texas
Direct and Overlapping Sales Tax Rates
Last Ten Years**

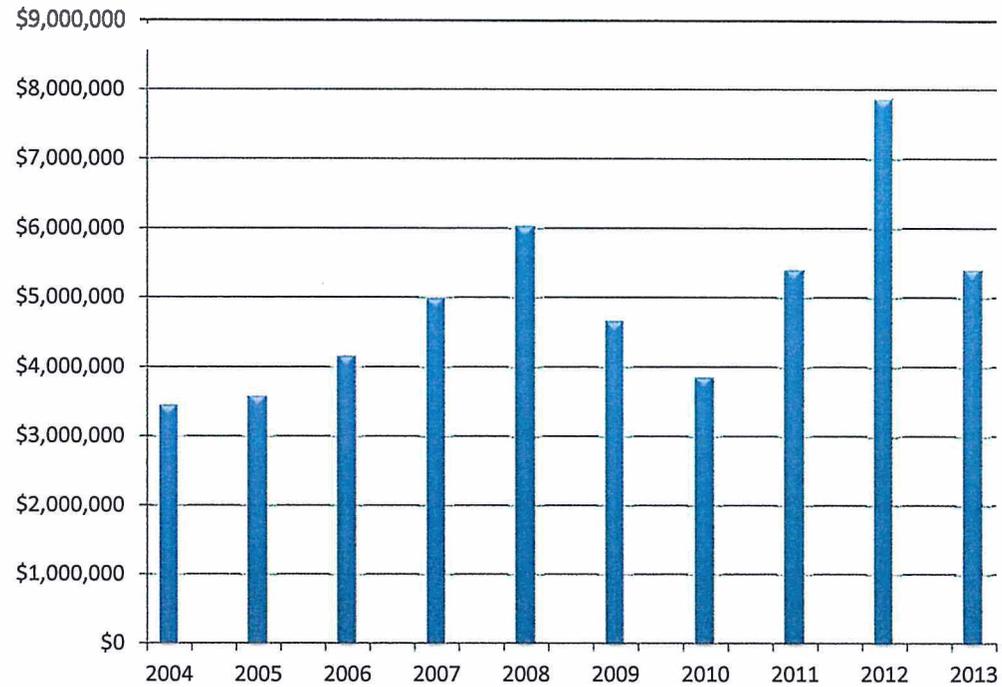
Fiscal Year	State of Texas	Cooke County	City of Gainesville	Gainesville Economic Development	Totals
2004	6.25%	0.50%	1.25%	0.25%	8.25%
2005	6.25%	0.50%	1.25%	0.25%	8.25%
2006	6.25%	0.50%	1.25%	0.25%	8.25%
2007	6.25%	0.50%	1.25%	0.25%	8.25%
2008	6.25%	0.50%	1.25%	0.25%	8.25%
2009	6.25%	0.50%	1.25%	0.25%	8.25%
2010	6.25%	0.50%	1.25%	0.25%	8.25%
2011	6.25%	0.50%	1.25%	0.25%	8.25%
2012	6.25%	0.50%	1.25%	0.25%	8.25%
2013	6.25%	0.50%	1.25%	0.25%	8.25%

Source: Texas State Comptroller's Office

**City of Gainesville, Texas
Sales Tax Revenue
Last Ten Years**

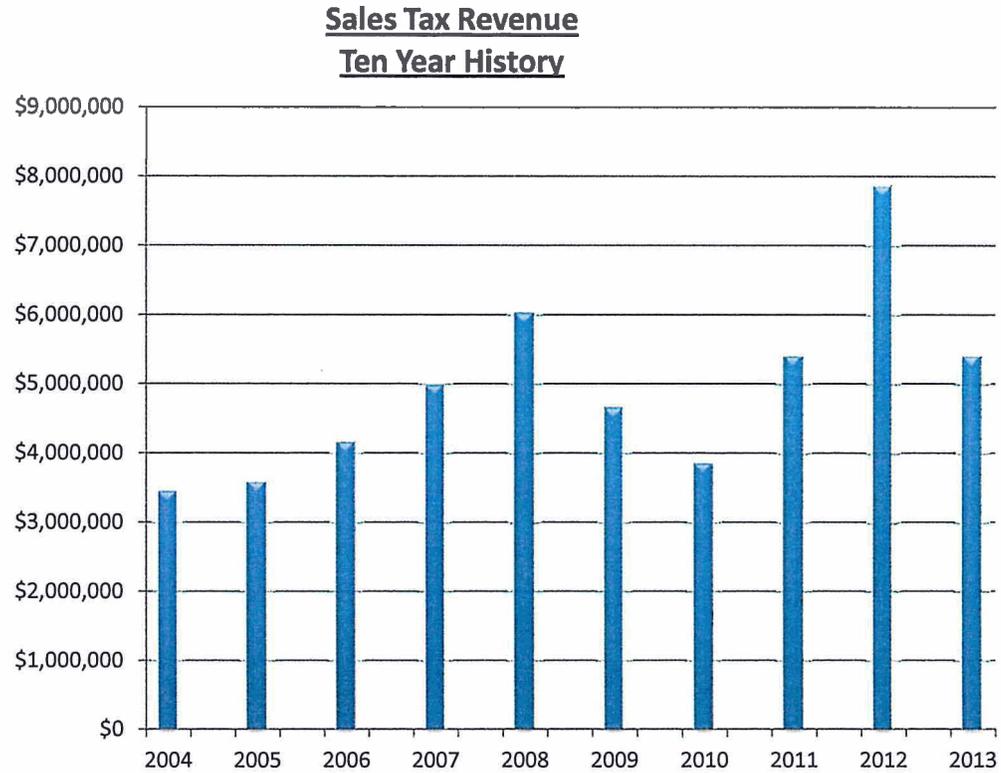
<u>Fiscal Year</u>	<u>Sales Tax Revenue</u>
2004	\$3,441,064
2005	3,576,233
2006	4,153,560
2007	4,989,105
2008	6,022,826
2009	4,653,940
2010	3,854,804
2011	5,401,018
2012	7,875,346
2013	\$5,409,389

**Sales Tax Revenue
Ten Year History**



**City of Gainesville, Texas
Sales Tax Revenue
Last Ten Years**

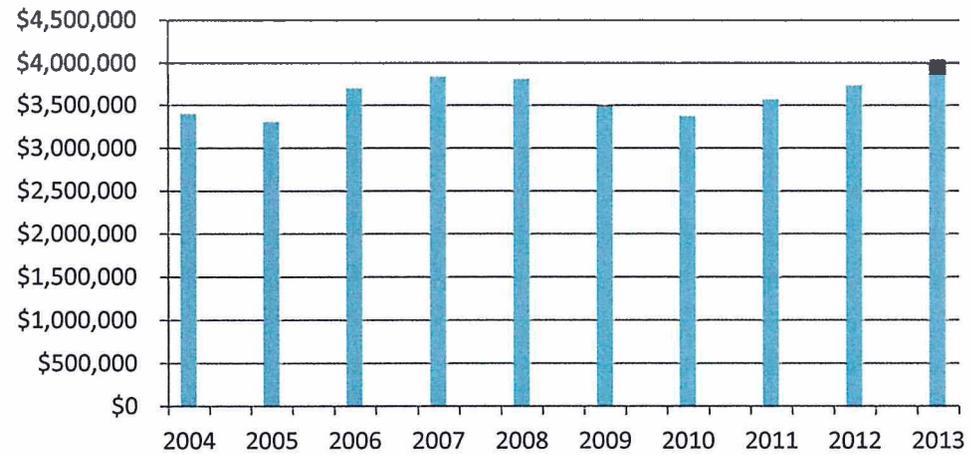
<u>Fiscal Year</u>	<u>Sales Tax Revenue</u>
2004	\$3,441,064
2005	3,576,233
2006	4,153,560
2007	4,989,105
2008	6,022,826
2009	4,653,940
2010	3,854,804
2011	5,401,018
2012	7,875,346
2013	\$5,409,389



**City of Gainesville, Texas
Solid Waste Fund Revenues
Last Ten Fiscal Years**

Fiscal Year	Charges for Service Revenues
2004	\$3,408,370
2005	3,321,267
2006	3,710,112
2007	3,843,877
2008	3,817,914
2009	3,490,902
2010	3,386,152
2011	3,579,640
2012	3,743,090
2013	\$4,061,060

Solid Waste Revenues



**Assessed and Estimated Actual Value of Property (1)
Last Ten Fiscal Years**

Fiscal Year	Real Property		Personal Property			Total		Total Direct Tax Rate	Ratio of Total Assessed Value To Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Exemptions	Assessed Value	Estimated Actual Value		
2004	\$ 479,226,381	\$ 479,226,381	\$ 157,141,678	\$ 157,141,678	\$ 68,135,508	\$ 568,232,551	\$ 568,232,551	0.7000	100.0%
2005	518,728,498	518,728,498	169,865,063	169,865,063	78,680,466	609,913,095	609,913,095	0.7000	100.0%
2006	559,762,307	559,762,307	170,445,045	170,445,045	88,316,143	641,891,209	641,891,209	0.7000	100.0%
2007	611,842,551	611,842,551	154,205,466	154,205,466	98,372,454	667,675,563	667,675,563	0.6700	100.0%
2008	651,413,164	651,413,164	177,719,910	177,719,910	75,975,192	753,157,882	753,157,882	0.6491	100.0%
2009	687,450,674	687,450,674	239,500,016	239,500,016	118,510,775	808,439,915	808,439,915	0.6470	100.0%
2010	710,898,777	710,898,777	263,735,991	263,735,991	112,937,346	861,697,422	861,697,422	0.6470	100.0%
2011	691,998,166	691,998,166	249,495,937	249,495,937	96,853,793	844,640,310	844,640,310	0.6470	100.0%
2012	668,596,357	668,596,357	273,542,638	273,542,638	96,087,259	846,051,736	846,051,736	0.6470	100.0%
2013	\$ 757,402,957	\$ 757,402,957	\$ 374,357,017	\$ 374,357,017	(2) 269,937,257	\$ 861,822,717	\$ 861,822,717	0.6470	100.0%

(1) Source - Cooke County Appraisal District and Tax Assessor/Collector.

(2) Productivity loss, Homestead Cap. Exemptions, Frozen Values

**City of Gainesville, Texas
Property Tax Rates (1)
Direct and Overlapping Governments
Last Ten Fiscal Years**

Fiscal Year	City of Gainesville			Cooke County			Gainesville School District			Other (2)			Total
	Operating Rate	Debt Service Rate	Total City Rate	Operating Rate	Debt Service Rate	Total County Rate	Operating Rate	Debt Service Rate	Total School Rate	Operating Rate	Debt Service Rate	Total Other Rate	
2004	\$0.49430	\$0.20569	\$0.69999	\$0.34250	\$0.00000	\$0.34250	\$1.50000	\$0.05500	\$1.55500	\$1.50823	\$0.13230	\$1.64053	\$4.23802
2005	0.46460	0.23540	0.69999	0.37000	0.04400	0.41400	1.50000	0.05500	1.55500	1.51279	0.16880	1.68159	\$4.35058
2006	0.38955	0.28345	0.67300	0.37431	0.03870	0.41301	1.50000	0.05500	1.55500	1.50560	0.18040	1.68600	\$4.32701
2007	0.36301	0.28609	0.64910	0.33990	0.04180	0.38170	1.37000	0.33830	1.70830	1.37930	0.15790	1.53720	\$4.27630
2008	0.39280	0.25420	0.64700	0.33270	0.03900	0.37170	1.04000	0.24542	1.28542	1.07100	0.13949	1.21049	\$3.51461
2009	0.38220	0.26480	0.64700	0.30990	0.03500	0.34490	1.04000	0.23532	1.27532	1.14430	0.12797	1.27227	\$3.53949
2010	0.42567	0.22133	0.64700	0.31370	0.03120	0.34490	1.04000	0.23532	1.27532	1.14680	1.11260	2.25940	\$4.52662
2011	0.43236	0.21464	0.64700	0.32460	0.03270	0.35730	1.04000	0.23532	1.27532	1.14980	0.10030	1.25010	\$3.52972
2012	0.43426	0.21274	0.64700	0.34130	0.02060	0.36190	1.04000	0.29432	1.33432	1.15050	0.09940	1.24990	\$3.59312
2013	\$0.45850	\$0.18850	\$0.64700	\$0.34940	\$0.02050	\$0.36990	\$1.04000	\$0.26780	\$1.30780	\$0.99180	\$0.06930	\$1.06110	\$3.38580

(1) Rates expressed in amounts per \$100. Source Cooke County Appraisal District
(2) Includes North Central Texas College, Gainesville Hospital District, and Lindsay School District.

**City of Gainesville, Texas
Principal Taxpayers
Current Year and Nine Years Ago**

Taxpayer	2013		2013		2004		2004	
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Rank	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	
Schlumberger	\$ 86,901,895	1	42.72%		\$ 0		0.00%	
Zodiac (formerly Weber Aircraft)	35,608,927	2	17.51%		17,439,303	2	19.37%	
Wal-Mart	17,159,463	3	8.44%		18,095,774	1	20.10%	
BMCA	13,787,657	4	6.78%		0		0.00%	
Polypipe Inc	10,343,412	5	5.08%		0		0.00%	
MESA Real Estate Partners	8,880,879	6	4.37%		0		0.00%	
Oncor Electric	8,235,370	7	4.05%		0		0.00%	
Forum USA	7,832,970	9	3.85%		0		0.00%	
Karl Klement Properties	7,564,675	8	3.72%		0		0.00%	
Gainesville Hospitality	7,101,901	10	3.49%		7,034,000	6	7.81%	
Home Depot USA Inc					7,481,109	5	8.31%	
AEP Industries		0			10,050,491	3	11.17%	
PPG Industries					6,652,440	7	7.39%	
Southwestern Bell					4,956,476	9	5.51%	
Oncor (TXU Electric)					7,787,020	4	8.65%	
Glenn Polk Ford/Mercury					4,900,053	10	5.44%	
Valentine LP			-		5,618,150	8	6.24%	
Total Assessed Valuation	\$ 203,417,149		100.00%		\$ 90,014,816		100.00%	

Source: Cooke County Appraisal District

**City of Gainesville, Texas
Property Tax Levies and Collections (1)
Last Ten Fiscal Years**

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections (2)	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes (1)	Delinquent Taxes to Total Tax Levy
2004	\$ 3,953,706	\$ 3,929,212	99.4%	\$ 0	\$ 3,929,212	99.4%	\$ 278,765	7.1%
2005	4,206,700	4,243,373	100.9%	90,604	4,333,977	103.0%	284,515	6.8%
2006	4,256,555	4,284,371	100.7%	80,188	4,364,559	102.5%	256,032	6.0%
2007	4,268,873	4,348,545	101.9%	87,892	4,436,437	103.9%	169,873	4.0%
2008	4,872,931	4,779,714	98.1%	60,039	4,839,753	99.3%	237,736	4.9%
2009	5,206,244	5,102,026	98.0%	66,267	5,168,293	99.3%	281,826	5.4%
2010	5,575,182	5,462,636	98.0%	86,985	5,549,621	99.5%	291,174	5.2%
2011	5,501,321	5,324,885	96.8%	85,167	5,410,052	98.3%	238,549	4.3%
2012	5,438,721	5,383,582	99.0%	0	5,383,582	99.0%	233,459	4.3%
2013	\$ 6,162,316	\$ 6,112,236	99.2%	\$ 101,722	\$ 6,213,958	100.8%	\$ 138,571	2.2%

(1) Source - Cooke County Appraisal District and Tax Assessor/Collector.

(2) Starting with FY 2008, the Total Tax Levy was adjusted through September 30 of each year based on updated data from the Cooke County Appraisal District.

City of Gainesville, Texas
Ratios of Outstanding Debt by Type
Last Ten Years

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percent of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation Bonds	Notes Payable	Capital Leases	General Obligation Bonds	Certificates of Obligation Bonds	Notes Payable	Capital Leases			
2004	\$ 6,700,775	\$ 7,409,389	\$ 0	\$ 0	\$ 1,809,225	\$ 11,893,667	\$ 0	\$ 0	\$ 27,813,056	10.83%	\$ 1,790
2005	6,948,568	6,386,922	458,241	0	7,568,430	4,843,422	0	68,707	26,274,290	9.92%	1,691
2006	6,637,059	5,922,431	371,597	58,205	7,364,940	4,332,308	0	93,529	24,780,069	8.95%	1,595
2007	8,828,370	2,915,495	277,109	292,731	9,215,038	1,234,503	0	349,161	23,112,407	7.94%	1,487
2008	8,397,156	3,528,036	171,093	153,237	14,365,160	2,101,360	0	252,821	28,968,863	9.81%	1,864
2009	7,884,844	3,153,956	58,065	19,334	13,609,974	1,833,388	0	133,758	26,693,319	9.04%	1,718
2010	7,426,912	4,753,901	0	13,231	12,716,873	4,361,674	395,000	61,086	29,728,677	9.07%	1,858
2011	11,786,754	7,320,852	0	6,793	6,846,997	1,301,401	300,000	13,586	27,576,383	8.41%	1,723
2012	12,369,324	8,608,621	0	62,841	6,153,523	1,006,199	205,000	204,086	28,609,594	8.73%	\$ 1,788
2013	\$ 9,520,375	\$ 8,031,096	\$ 0	\$ 31,918	\$ 8,886,567	\$ 6,473,904	\$ 105,000	\$ 265,692	\$ 33,314,552	10.16%	2,082

City of Gainesville, Texas
Ratio of Net General Obligation Bonded Debt
To Assessed Value and Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Official Population (1)	Total Assessed Value (2)	Net General Obligation Debt (3)	Less Debt Service Fund (4)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2004	15,538	\$ 568,232,551	\$ 6,700,775	\$ 114,571	\$ 6,586,204	1.16%	\$ 423.88
2005	15,538	609,913,095	6,948,568	-9,147	6,957,715	1.14%	447.79
2006	15,538	641,891,209	6,637,059	361	6,636,698	1.03%	427.13
2007	15,538	667,675,563	8,828,370	227,401	8,600,969	1.29%	553.54
2008	15,538	753,157,882	8,397,156	367,712	8,029,444	1.07%	516.76
2009	15,538	808,439,915	7,884,844	495,975	7,388,869	0.91%	475.54
2010	16,002	861,697,422	7,426,912	682,392	6,744,520	0.78%	421.48
2011	16,002	844,640,310	11,786,754	844,347	10,942,407	1.30%	683.81
2012	16,002	846,051,736	12,369,324	1,022,513	11,346,811	1.34%	709.09
2013	16,002	\$ 861,822,717	\$ 14,166,000	\$ 1,024,748	\$ 13,141,252	1.52%	\$ 821.23

- (1) From US Bureau of Census 2010 Census
- (2) From Cooke County Appraisal District
- (3) Excludes revenue bonds.
- (4) Amount available for repayment of general obligation bonds.

**City of Gainesville, Texas
 Computation of Direct and Overlapping Bonded Debt
 General Obligation Bonds
 September 30, 2013**

Jurisdiction	Total Debt Outstanding	Estimated Percent Applicable	Direct and Overlapping Funded Debt As of 9/30/12
City of Gainesville	\$32,689,000	100.00%	\$32,689,000
<i>Overlapping Debt:</i>			
Cook County	7,265,000	33.19%	2,411,254
Gainesville ISD	35,278,979	99.39%	35,063,777
Gainesville Hospital District	22,160,000	36.63%	8,117,208
North Central Texas Community College	14,230,000	36.21%	<u>5,152,683</u>
Subtotal Overlapping Debt	<u>78,933,979</u>		<u>50,744,922</u>
Total Direct and Overlapping Debt	<u><u>\$111,622,979</u></u>		<u><u>\$83,433,922</u></u>

Ratio of direct and overlapping bonded
 debt to taxable assessed valuation

7.56%

Per capita direct and overlapping bonded debt

\$5,214

Source: First Southwest Company

**City of Gainesville, Texas
 Legal Debt Margin Information
 Last Ten Years
 (amounts expressed in thousands)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$63,637	\$68,859	\$73,021	\$76,605	\$75,316	\$80,844	\$86,170	\$84,464	\$84,605	\$86,182
Total Net Debt Applicable to Limit	8,395	14,526	14,002	17,816	22,394	20,999	19,462	17,790	17,500	13,142
Legal Debt Margin	\$55,242	\$54,333	\$59,019	\$58,789	\$52,922	\$59,845	\$66,708	\$66,674	\$67,105	\$73,040
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	13.19%	21.10%	19.18%	23.26%	29.73%	25.97%	22.59%	21.06%	20.68%	15.25%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$781,507
Add back: exempt real property	80,315
Total assessed value	<u>861,822.00</u>
Debt limit (\$1.50 to total assessed value)	86,182
Debt applicable to limit:	
General Obligation bonds	14,166
Less: Amount set aside for repayment of GO debt	1,024
Revenue Bonds	13,142
Total net debt applicable to limit	
Legal Debt Margin	\$73,040

Note: As a home rule city governed by State law and the city charter, the City is authorized to levy an ad valorem tax up to \$2.50 per \$100 of taxable assessed value. However, Gainesville uses the administrative "test" as a limit set by the Attorney General's public finance division in order to be conservative, and not the legal limit.

**City of Gainesville, Texas
Revenue Bond Coverage
Water and Sewer Fund
Last Ten Fiscal Years**

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
2004	\$ 6,453,043	\$ 4,607,943	\$ 1,845,100	\$ 0	\$ 0	\$ 0	N/A
2005	5,801,020	4,552,328	1,248,692	0	0	0	N/A
2006	6,856,638	4,827,767	2,028,871	0	0	0	N/A
2007	6,751,226	4,567,308	2,183,918	0	0	0	N/A
2008	7,356,384	4,689,945	2,666,439	0	0	0	N/A
2009	7,275,853	4,695,861	2,579,992	0	0	0	N/A
2010	7,111,950	4,700,147	2,411,803	0	0	0	N/A
2011	7,692,707	5,001,544	2,691,163	0	0	0	N/A
2012	7,805,004	4,839,005	2,965,999	0	0	0	N/A
2013	\$ 7,499,164	\$ 4,744,612	\$ 2,754,552	\$ 0	\$ 0	\$ 0	N/A

(1) Total revenues, including interest.

(2) Total operating expenses excluding depreciation and transfers

(3) Includes principal and interest of revenue bonds only. General obligation bonds reported in the Water and Sewer Fund are not included.

**City of Gainesville, Texas
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Official Population (1)	Personal Income (4)	Per Capita Personal Income	Median Age (4)	School Enrollment (3)	Education Percent High School & Up (4)	Unemployment Rate (2)
2004	15,538	\$ 256,703,298	\$ 16,521	34	2,984	51.82%	3.70%
2005	15,538	264,969,514	17,053	34	3,099	56.87%	4.38%
2006	15,538	276,762,856	17,812	34	3,025	---	4.00%
2007	15,538	291,057,816	18,732	34	2,951	---	3.90%
2008	15,538	295,190,924	18,998	34	2,851	57.32%	3.80%
2009	15,538	295,190,924	18,998	34	2,648	57.32%	6.80%
2010	16,002	327,752,964	20,482	34	2,771	77.90%	6.20%
2011	16,002	321,632,537	20,100	36	2,764	72.20%	5.10%
2012	16,002	316,599,570	19,785	33	2,787	72.85%	4.00%
2013	16,002	\$ 316,599,570	\$ 19,785	33	2,809	74.82%	4.00%

- (1) US Census Bureau 2010 Census
- (2) Bureau of Labor Statistics
- (3) Gainesville Independent School District
- (4) CLRSearch.com

Note: Some historical information has not been tracked indicated by "---".

**City of Gainesville, Texas
Ten Largest Employers
Fiscal Year 2013 and 2004**

Employer	2013			2004		
	Number of Employees FTE	Rank	Percent of Total County Employment	Number of Employees FTE	Rank	Percent of Total County Employment
WinStar Casino	2898	1	40.73%	-		
Zodiac (formerly Weber Aircraft)	1600	2	22.49%	850	1	23.20%
WalMart	427	3	6.00%	465	4	12.69%
Gainesville State School	387	4	5.44%	320	6	8.73%
Gainesville ISD	380	5	5.34%			
North Central Texas College	362	6	5.09%	585	2	15.97%
Select Energy Services	350	7	4.92%			
North Texas Medical Center	275	8	3.87%	320	5	8.73%
Cooke County	224	9	3.15%	200	8	5.46%
Complete Energy	212	10	2.98%			
Gainesville Factory Shops		-	-	400	3	10.92%
Gainesville Memorial Hospital						0.00%
City of Gainesville				250	7	6.82%
Molded Fiberglass				179	9	4.89%
CSR Poly-Pipe			-	95	10	2.59%
Totals	7,115		100.00%	3,664		100.00%
Total in Gainesville	22735		31.30%	18466		19.84%

Source: Gainesville Economic Development Corporation

City of Gainesville, Texas
Full-time Equivalent Employees by Function
Last Ten Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	7	13	13	13	14	12	12	12	13	13
Economic Development	1	1	1	2	4	4	4	5	5	5
Community Services	9	6	5	5	6	5	5	3	5	5
Finance	5	5	5	5	5	4	4	4	4	4
Police	58	57	55	55	55	53	53	53	55	55
Fire	41	41	41	41	42	42	42	42	42	42
Public Works	44	44	36	37	---	---	---	---	---	---
Streets	---	---	---	---	11	7	8	7	7	7
Garage	---	---	---	---	5	4	4	4	4	4
Parks	---	---	---	---	14	13	13	13	18	18
Cemetery	---	---	---	---	5	5	5	5	5	5
Golf Course	7	7	9	9	9	8	8	7	7	7
Frank Buck Zoo	12	13	14	14	14	14	14	14	15	15
Water	23	23	24	24	28	21	21	20	21	21
Wastewater	19	19	18	18	18	18	18	17	17	17
Airport	3	3	3	3	4	3	3	3	3	3
Stormwater Utility	2	2	4	4	4	2	2	2	2	2
Solid Waste - Collection	12	12	13	13	12	12	12	12	13	13
Solid Waste - Disposal	6	6	5	5	5	3	3	2	2	2
Total	249	252	246	248	255	230	231	225	238	238

Source: City of Gainesville Human Resources department.

Note: Public Works broken down into divisions (Streets, Garage, Parks, Cemetery) in FY 2008

**City of Gainesville, Texas
Operating Indicators by Function
Last Ten Years**

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Calls for Service	29,345	32,283	35,286	31,350	30,830	36,480	39,749	41,769	49,630	51,000
Arrests	1,433	1,623	1,579	1,545	1,318	913	906	1,450	1,005	1,005
Municipal Court										
Cases Filed	5,325	6,537	6,078	5,480	6,157	6,438	5,264	6,328	5,061	3,472
Cases Disposed	5,372	6,891	6,056	6,095	5,867	6,433	6,434	5,854	5,035	3,506
Class C Warrants Filed	1,905	1,685	1,449	2,191	1,674	1,719	1,656	2,007	1,466	1,413
Juvenile Cases Filed	297	308	376	322	449	321	224	225	316	320
Fire										
Number of calls	677	824	890	791	761	667	711	958	793	780
Number of fires	120	199	208	108	137	136	120	195	154	175
Rescue/EMS incidents	94	126	112	146	140	165	173	224	185	175
Streets										
Potholes Patched	2,355	2,979	2,644	3,259	4,465	4,146	5,498	6,167	6,509	5,498
Storm drains cleaned	1,590	344	539	1,192	967	564	153	126	135	138
Miles of streets swept	---	---	1,240	1,068	1,052	711	527	613	447	453
Golf Course										
Rounds of golf	---	---	14,051	10,654	16,619	15,337	11,340	10,739	5,001	12,000
Community Development										
Building Permits	613	572	1,226	808	994	775	916	1,069	1,156	1,156
Value of Building Projects (in thousands)	16,187	27,835	20,949	8,429	14,625	1,350	3,008	6,170	15,604	15,604
Number of Inspections	1,847	1,628	1,859	2,897	1,742	1,265	1,074	1,590	1,950	1,950
Finance										
Number of invoices paid	7,773	7,419	6,935	6,734	6,760	6,295	6,467	6,723	6,833	8,019
Received CAFR award	Yes									
Received Budget Presentation award	N/A	N/A	N/A	N/A	N/A	N/A	Yes	Yes	Yes	Yes
Number of Payroll checks prepared	6,721	6,726	6,584	6,134	6,215	6,023	6,080	6,154	5,839	5,880
Water System										
Number of water customers	---	5,938	6,097	6,015	6,022	6,089	6,079	6,065	6,121	6,166
New Connects	1,337	1,431	1,336	1,247	1,472	1,398	1,420	1,342	1,345	1,412
Daily average water consumption (mil gls)	2.6	2.6	2.6	1.9	2.4	2.2	2.4	2.0	2.4	2.4
Maximum daily pumping capacity (mil gls)	6.8	6.8	6.8	6.9	6.5	4.9	6.8	6.8	6.8	6.8
Maximum storage capacity (mil gls)	4.9	4.9	4.9	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Wastewater System										
Number of wastewater customers	---	5,764	5,929	5,724	5,738	5,775	5,918	5,879	5,773	5,822
Daily average treatment(mil gls)	2.8	2.8	1.6	1.5	1.3	1.4	1.5	1.4	1.4	1.4
Maximum daily treatment capacity(mil gls)	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Airport										
Gallons of aviation fuel pumped	261,659	261,815	255,544	292,994	287,528	235,378	230,375	248,265	236,813	216,735

Source: Various City departments.

Note: Some historical statistics were not available and are indicated with "--".

**City of Gainesville, Texas
Capital Asset Statistics by Function
Last Ten Years**

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	---	---	9	15	15	15	15	16	12	12
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Fire Hydrants	800	850	850	850	850	850	850	968	825	825
Fire Vehicles	13	13	13	13	13	13	13	13	13	13
Streets										
Miles of streets	117	120	120	120	120	132	129.71	129.71	129.71	129.71
Miles of streets maintained by City	89	90	90	92	92	86	96	96	96	96
Street Lights	1452	1494	1506	1506	1565	1565	1581	1581	1581	1581
Parks & Recreation										
Number of Community/Civic Centers	2	2	2	2	2	2	2	2	2	2
Number of park areas	24	24	24	24	24	24	24	24	24	24
Park acreage	215	202	202	202	202	202	212	212	212	212
Number of golf courses	1	1	1	1	1	1	1	1	1	1
Number of swimming pools	1	1	1	1	1	1	1	1	1	1
Number of zoos	1	1	1	1	1	1	1	1	1	1
Water System										
Miles of water mains	120	124	124	124	130	137.5	137.5	137.5	137.5	137.5
Number of Water Treatment Plants	1	1	1	1	1	1	1	1	1	1
Wastewater System										
Miles of wastewater mains	130	132	132	132	132	132	132	132	134	134
Miles of storm drainage mains	6	6	6	8	9	10	10	10	10	10
Number of Wastewater Treatment Plants	1	1	1	1	1	1	1	1	1	1

	2004	2005	2006	2007	2008	2009	2010	2011	2011	2011
Sanitation										
Collection Trucks	14	14	14	14	14	13	9	12	12	12
Long Haul Trucks	5	5	5	5	5	5	4	4	4	4
Heavy Equipment Units	7	7	7	7	7	4	6	5	5	5
Vehicles	---	---	---	---	2	2	4	4	4	4
Carts (1)	0	0	0	0	0	400	5743	5891	5857	5857
Airport										
Airport acreage	1270	1336	1336	1336	1312	1308	1308	1317	1317	1317
Number of runways	2	2	2	2	2	2	2	2	2	2
Number of hangars	4	4	4	4	4	6	6	6	6	6

Source: Various City Departments

(1) The increase in the number of carts for 2010 reflects the new automated collection program.

Note: Some records were not accurately maintained in previous years, as indicated by "----"



Compliance Reports



INDEPENDENT AUDITOR'S 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

City Council
City of Gainesville
Gainesville, Texas 76240

Members of the Council,

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Gainesville (the City) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Gainesville's 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 City of Gainesville's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Gainesville's 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Gainesville's 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*.

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.

Handwritten signature in cursive script that reads "Schalk & Smith PC".

Schalk & Smith, P.C.
March 10, 2014



Other Communications

March 10, 2014

City Council
City of Gainesville
Gainesville, Texas

Members of the Council:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gainesville (the City) as of and for the year ended September 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 16, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note I to the financial statements. The City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows or Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the current year. The application of existing policies was not changed during 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City of Gainesville's financial statements was:

Management's estimate of the allowance for doubtful accounts is based on historical utility billing collections. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

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

There were no sensitive disclosures.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 10, 2014.

Management Consultations with Other Independent Accountants

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

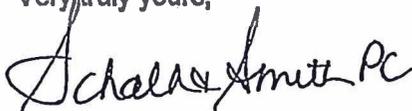
Other Audit Findings or Issues

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

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. This information is intended solely for the use of the City Council of the City of Gainesville and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Schalk & Smith, PC
Certified Public Accountants