

Medal of Honor 2014

City of Gainesville, Texas Comprehensive Annual Financial Report

Fiscal Year Ending September 30, 2014

Medal of Honor (Front Cover)

The Medal of Honor Host City Program was established in 2001 to provide Gainesville residents with a more interactive connection with America's history, the military and the veteran community. It was decided that the best approach was to reach out to the men who had served the nation with heroic distinction and at the same time engage the community, especially its children, in the patriotic process.

The Medal of Honor Host City Program has won the appreciation of the Recipients who have experienced Gainesville's small town, patriotic hospitality; many have returned again and again over the years, and encouraged other Recipients to attend. Since its inception, our Medal of Honor Host City Program has hosted almost half of our nation's Medal of Honor Recipients who have inspired our community with their message of patriotism, sacrifice, courage and life values.

There are three versions of the Medal of Honor, one for each of the military departments of the Department of Defense: Army, Navy, and Air Force. Members of the Marine Corps and Coast Guard are eligible to receive the Navy version. Each is constructed differently and the components are made from gilding metals and red brass alloys with some gold plating, enamel, and bronze pieces.

Army recipients

The Army version is described by the Institute of Heraldry as "a gold five pointed star, each point tipped with trefoils, 1 1/2 inches wide, surrounded by a green laurel wreath and suspended from a gold bar inscribed VALOR, surmounted by an eagle. In the center of the star, Minerva's head surrounded by the words UNITED STATES OF AMERICA. On each ray of the star is a green oak leaf. On the reverse is a bar engraved THE CONGRESS TO with a space for engraving the name of the recipient." The pendant and suspension bar are made of gilding metal, with the eye, jump rings, and suspension ring made of red brass. The finish on the pendant and suspension bar is hard enameled, gold plated, and rose gold plated, with polished highlights.

Navy, Marine, and Coast Guard Recipients

The Navy version is described as "a five-pointed bronze star, tipped with trefoils containing a crown of laurel and oak. In the center is Minerva, personifying the United States, standing with left hand resting of fasces and right hand holding a shield blazoned with the shield from the coat of arms of the United States. She repulses Discord, represented by snakes. The medal is suspended from the flukes of an anchor." It is made of solid red brass, oxidized and buffed.

Air Force Recipients

The Air Force version is described as "within a wreath of green laurel, a gold five-pointed star, one point down, tipped with trefoils and each point containing a crown of laurel and oak on a green background. Centered on the star, an annulet of 34 stars is a representation of the head of the Statue of Liberty. The star is suspended from a bar inscribed with the word VALOR above an adaptation of the thunderbolt from the Air Force Coat of Arms." The pendant is made of gilding metal. The connecting bar, hinge, and pin are made of bronze. The finish on the pendant and suspension bar is hard enameled, gold plated, and rose gold plated, with buffed relief.



Government Finance Officers Association

**Certificate of
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Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO



City of Gainesville, Texas

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

Prepared by
Finance Department

Fiscal Year Ended

September 30, 2014

City of Gainesville, Texas
 Comprehensive Annual Financial Report
 September 30, 2014

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Introductory Section



March 20, 2015

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, 2014, 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 (2.6% vs. 4.1% and 5.4% 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. The recent drop in oil and gas prices will impact the unemployment rate but the city anticipates that the rate will remain lower than the state average because of the diversification of the companies in the municipality. 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 2013-2014:

- GAF has completed a 200,000 sq. ft. manufacturing facility expansion valued at \$7,750,000 in order to build insulation board. Additional manufacturers have remodeled and/or expanded their facilities including: Duraline (\$1,500,000) and Zodiac (\$1,550,000). Retailers have also started to expand and remodel in the City including: A&P Travel Center (\$1,140,000), Attwoods (\$820,000), Petit Machinery (\$700,000), Dmax Theaters (\$630,000) and Starbucks (\$240,000).
- The City has constructed a \$12.00 million project with funding from the Corps of Engineers and the issuance of General Obligation bonds, to improve the Pecan Creek drainage and relocate a major sewer trunk line. This project was concluded 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). These 2010 funds were completely expended in 2014. In 2012 the City issued an additional \$3.02 million of Certificates of Obligation for the SUMP. In 2014, the City issued \$5 million General Obligation bonds for Street projects.
- In FY 2013 the City issued \$6 million of Certificates of Obligation for improvements to the Wastewater Treatment Plan. Engineering for Phase I and engineering for 20% of Phase 2 was started in FY 2014 at a cost of \$332,650.
- 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 (EPASTAG). The project should be completed in early FY 2015.
- Approximately \$2.22 million was spent for new heavy equipment for Fire, Police, Street, Water, Stormwater Drainage and Solid Waste departments.
- The City has continued the radio read meter project with \$50,000 expended in FY 2014. Approximately sixty percent (60%) of the city is utilizing the radio read meters at a total cost to date of \$405,041.
- The City demolished 61 structures on 35 lots in FY 2014. Gentrification is playing a large role in the City's economy with the demolition of older

structures and new development on the sites. Starnes Orthodontics (\$300,000), Meador Funeral Home (\$655,000) and Nesaz, LLC (\$494,000) are three such businesses that have started construction on sites that were previously occupied with other buildings. An eight-lot, single family residential development was started after the demolition of an old school building from the site. At this time, six lots have been sold while four houses have been completed or started. The houses range in size and value from 4,640 sq. ft. (\$420,000) to 7,769 sq. ft. (\$850,000).

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, established by the Appraisal District, 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 2014 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	2014	2013	2012	2011	2010
General	0.445078	0.458500	0.434260	0.432356	0.4257
Debt Service	0.200922	0.188550	0.212740	0.214644	0.2213
Total	0.646000	0.647000	0.647000	0.647000	0.6470

For fiscal year 2014, the Total Assessed Taxable Value decreased by \$1,781,595 or 0.2%.

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 2015-2019 was approved by the City Council and is included in the fiscal year 2015 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 \$42.2 million in total capital expenditures. The CIP breaks these expenditures into two separate categories: recurring at \$5.54 million or 13.13% and non-recurring at \$36.66 million or 86.87%.

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 has met its goal updated the ordinance to require a ninety (90) day reserve in FY 2014. At the close of fiscal year 2014 the City had a 166-day operating, cash reserve for the General Fund. 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, 2013. This was the twenty-third (23) 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, 2013 and 2014 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 2015 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

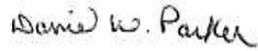
of the Department is recognized for their tireless effort and contribution to the completion of this report.

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

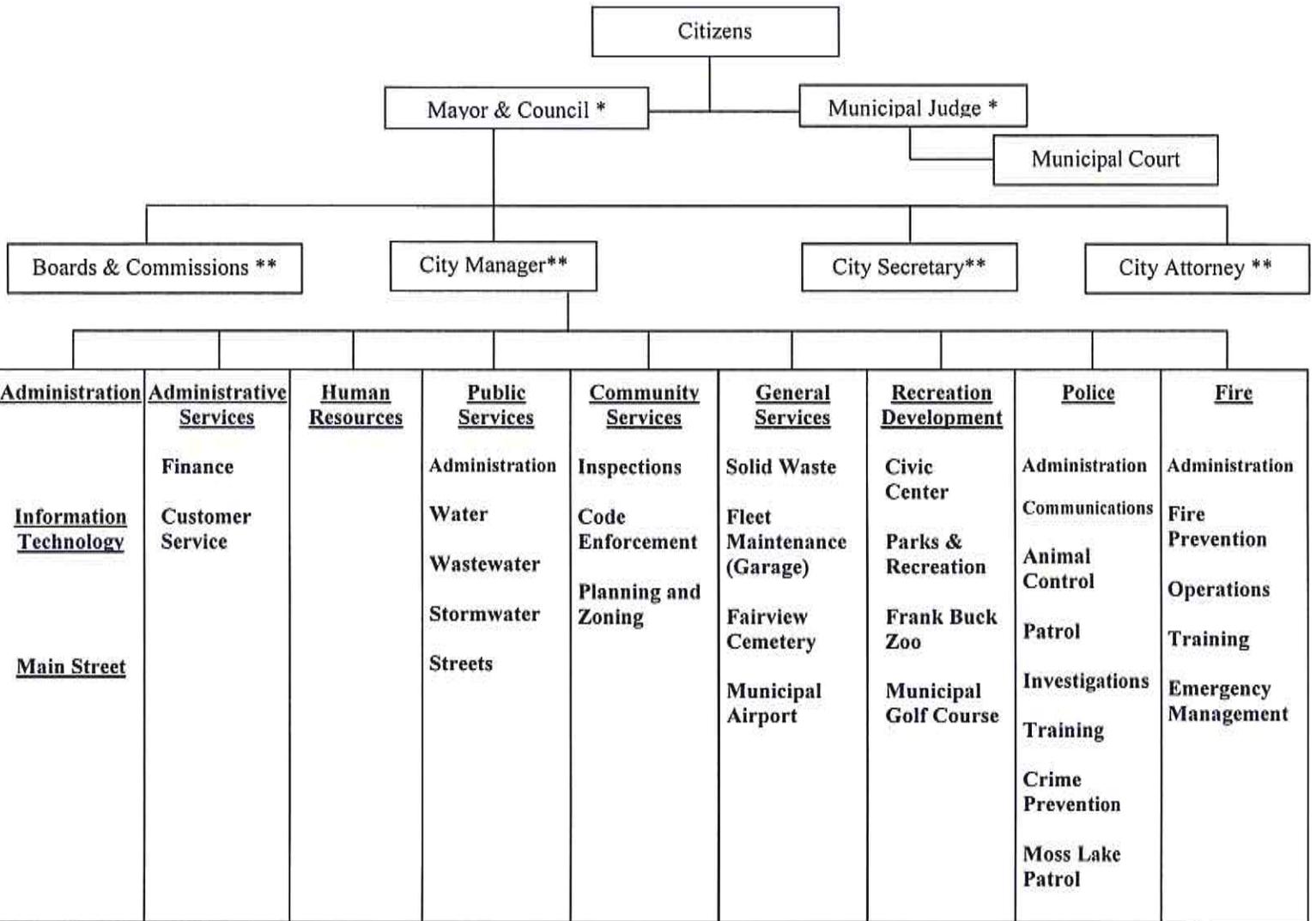


Daniel W. Parker
Finance Director



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, 2014

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	Wally Cox
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, Texas
Gainesville, Texas 76240

Members of the Council:

Report on the Financial Statements

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, Texas, as of and for the year ended September 30, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 unit, each major fund, and the aggregate remaining fund information of the City of Gainesville, Texas, as of September 30, 2014, 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 3–22, the budgetary comparison information on pages 76–77 and 87–100, and the retirement systems' schedules of funding progress on page 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gainesville, Texas's basic financial statements. The combining nonmajor fund financial statements and capital assets section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements.

The combining nonmajor fund financial statements and the schedule of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The capital assets section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2015, on our consideration of the City of Gainesville, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Gainesville, Texas's internal control over financial reporting and compliance.



Schalk & Smith, P.C.
February 13, 2015

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2014

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, 2014. 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 on September 30, 2014 by \$47,469,037 (net position, pg. 7 and 23). Of this amount, \$26,300,507 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 budgeted operating expenses on hand in the General Fund. Any cash in excess of this amount can be used for other projects. The total fund balance in the General Fund during FY 2014 was \$7,408,205 (pg. 26). This represents 187 days of operation. The City planned and budgeted a General Fund surplus of \$122,769. We exceeded our revenue expectations and lowered expenses so that the actual result was \$191,036 (pg. 29 and 77) increase in fund balance while maintaining 166 days cash on hand.
- As a result of General Fund operations, the City was able to transfer \$2,504,039 (pg. 29, 77 and 88) to the Assigned Projects Fund. The City used some of these funds to complete the Wild Fire Camera project to place security cameras around the City, put the final touches on the Leonard Park Water Park, purchase a municipal court software package, place a new sign on the Public Safety Building, assist with the City demolition of unsafe structures that allow for gentrification (see pg. 20), replace the Civic Center roof and assist the Street Utility Maintenance Program. The City is also using these funds for a public private partnership to connect city facilities with fiber optics, which in turn allows the private company to create a gigabit network for the community as a whole.
- The City's total net position increased by \$12,888,439 or 37.3% (pg. 8) for the year ended September 30, 2014. The net position of governmental activities increased \$4,499,620 or 21.1% over the FY 2013 total fund balance. This increase in net position resulted in large part as a result of finalizing the Pecan Creek project (pg. 6). This project was completed in FY 2014 when the U.S. Corp of Engineers' approved the improvements and reimbursed the City funds \$610,379 for the project. Moreover, the Corp donated drainage improvements to the City valued at \$6,539,817 (pg. 35).
- The City's total debt outstanding (excluding bond premiums and discounts) increased by \$4,941,980 or 15.02% during the current fiscal year reflecting the issuance of a capital lease in the amount of \$122,980 to purchase a Caterpillar wheel loader, the FY 2014 General Obligation Bonds in the amount of \$4,765,000 for street improvements and the FY 2014 General Obligation Refunding Bonds in the amount of \$3,675,000 which was used to refund the 2005 and 2008 General Obligation bonds (pg. 54 and 57).

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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

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inspection, public health, park, zoo, recreational activities, street construction and 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-two 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 2014 GO Bond Fund and Assigned Project 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.

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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. In the Comprehensive Financial Annual Report (CAFR) we include 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 on September 30, 2014, were \$85,928,674 deferred outflows of resources were \$785,083, while total liabilities were \$39,244,720, resulting in a net position balance of \$47,469,037 (pg. 7 and 23). This is an 37.3% increase from the prior fiscal year and is mainly due to an increase in cash and capital assets, specifically the finalization of the water park, capitalization of construction projects from the Street and Utility Maintenance Fund and the finalization of the Pecan Creek Project. At the end of FY 2014, net position for the City of Gainesville had increased for the government as a whole.

The City's total net position equals \$47,469,037. A portion of the net position, \$1,420,639 or 3.0% represents resources that are subject to external restrictions on how they may be used (pg. 7 and 23). The restricted net position has increased over the prior year by 3.4%. Capital assets (land, buildings, machinery, and equipment) net of related debt total \$19,747,891 or 41.6% of total net position, this represents an increase of \$7,250,199 or 58.0% compared to the prior year. The largest portion of the City's net position, \$26,300,507 or 55.4% of net position reflects unrestricted net position, which may serve the ongoing desires of its citizens.

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Amounts for FY 2013 in the schedules below have been modified to match the FY 2014 presentation. The following table reflects the condensed Statement of Net Position:

Net Position

	Governmental Activities		Business Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$24,173,885	\$18,956,818	\$12,552,690	\$13,344,383	\$36,726,575	\$32,301,201
Capital assets	22,182,157	21,778,931	27,019,942	17,173,323	49,202,099	38,952,254
Total	46,356,042	40,735,749	39,572,632	30,517,706	85,928,674	71,253,455
Deferred Outflow of Resources	523,359	570,909	261,724	359,377	785,083	930,286
Long-term liabilities outstanding	18,034,028	16,673,279	15,887,689	15,033,734	33,921,717	31,707,013
Other liabilities	2,981,151	3,268,777	2,341,852	2,627,353	5,323,003	5,896,130
Total liabilities	21,015,179	19,942,056	18,229,541	17,661,087	39,244,720	37,603,143
Deferred Outflows of Resources:						
Net Investment in Capital Assets	3,551,425	4,700,543	16,196,466	7,797,149	19,747,891	12,497,692
Restricted	1,420,639	1,327,067	-	-	1,420,639	1,374,067
Unrestricted	20,892,158	15,289,992	5,408,349	5,418,847	26,300,507	20,708,839
Total net position	\$25,864,222	\$21,364,602	\$21,604,815	\$13,215,996	\$47,469,037	\$34,580,598

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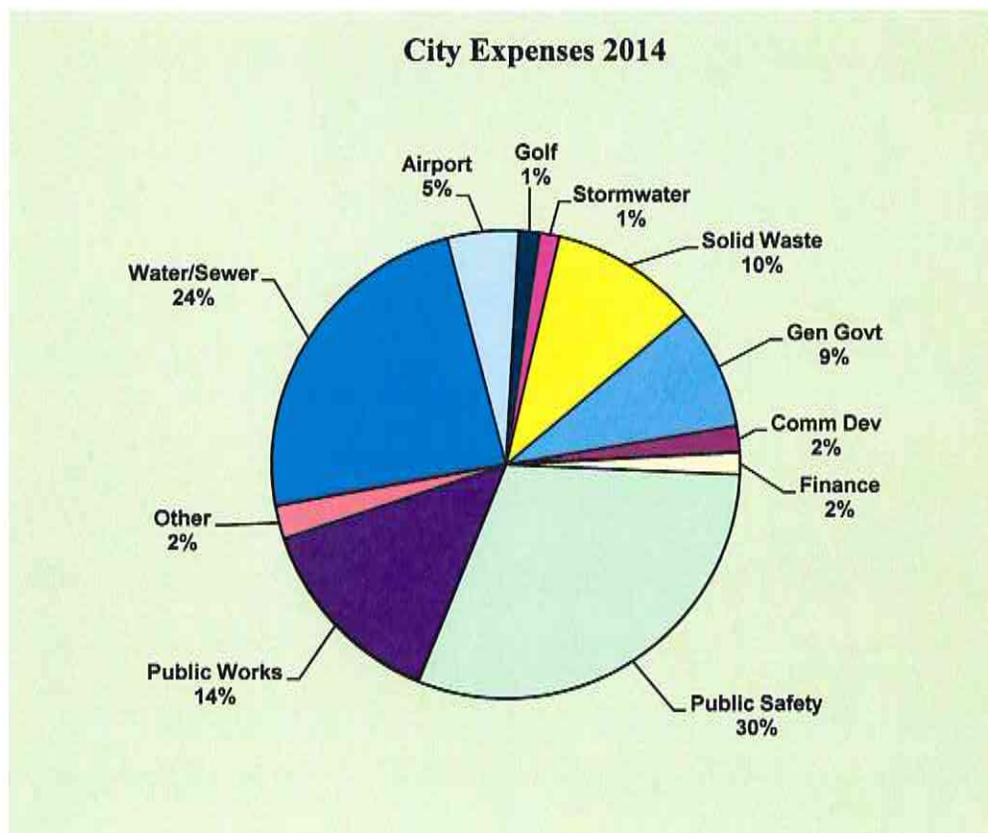
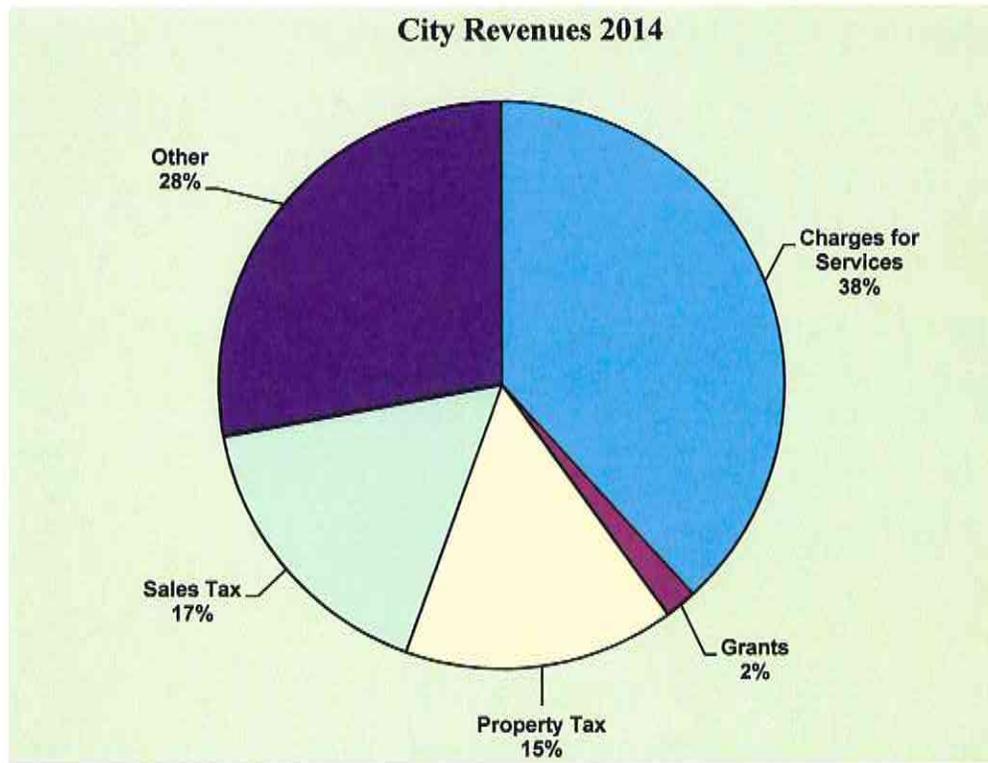
The following table provides a summary of the city's operations for year ended September 30, 2014. Overall, the city had an increase in net position of \$12,888,439.

Changes in Net Position

	Governmental Activities		Business Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Fines, fees, & charges for services	\$1,639,045	\$1,289,563	13,648,325	\$14,199,452	\$15,287,370	\$15,489,015
Operating grants & contributions	260,794	409,629	472,676	-	733,470	409,629
General revenues:						
Property taxes	6,216,770	6,186,065	-	-	6,216,770	6,186,065
Sales taxes	6,622,880	5,409,389	-	-	6,622,880	5,409,389
Other taxes & fees	2,002,165	1,954,504	-	-	2,002,165	1,954,504
Other misc.	1,470,969	465,333	7,705,640	1,005,292	9,176,609	1,470,625
Total revenues	18,212,623	15,714,483	21,826,641	15,204,744	40,039,264	30,919,227
Expenses:						
General Government	2,301,376	2,036,650	-	-	2,301,376	2,036,650
Community Development	499,803	488,974	-	-	499,803	488,974
Finance	404,366	462,758	-	-	404,366	462,758
Public safety	8,262,814	8,108,422	-	-	8,262,814	8,108,422
Public works	3,731,174	3,572,040	-	-	3,731,174	3,572,040
Interest on long term debt	544,840	703,793	-	-	544,840	703,793
Bond issuance cost	79,487	-	-	-	79,487	-
Water & Sewer	-	-	6,450,530	5,532,425	6,450,430	5,532,425
Municipal Airport	-	-	1,336,488	1,254,272	1,336,488	1,254,272
Golf Course	-	-	390,556	387,220	390,556	387,220
Stormwater	-	-	373,440	261,470	373,440	261,240
Solid Waste	-	-	2,775,951	2,638,857	2,775,951	2,638,857
Total Expenses	15,823,860	15,372,637	11,326,965	10,074,244	27,150,825	25,446,881
Increase(decrease)in net position before transfers	2,388,763	341,846	10,499,676	5,130,500	12,888,439	5,472,346
Transfers in(out)	2,110,857	2,514,642	(2,110,857)	(2,514,642)	-	-
Increase(decrease) in Net Position	4,499,620	2,856,488	8,388,819	2,615,858	12,888,439	5,472,346
Net Position 10/01	21,364,602	18,508,114	13,215,996	10,600,138	34,580,598	29,108,252
Prior Period Adjustment	-	-	-	-	-	-
Net Position 09/30	\$25,864,222	\$21,364,602	\$21,604,815	\$13,215,996	\$47,469,037	\$34,580,598

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The following graphs provide a summary of the operations for the year ended September 30, 2014.



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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).

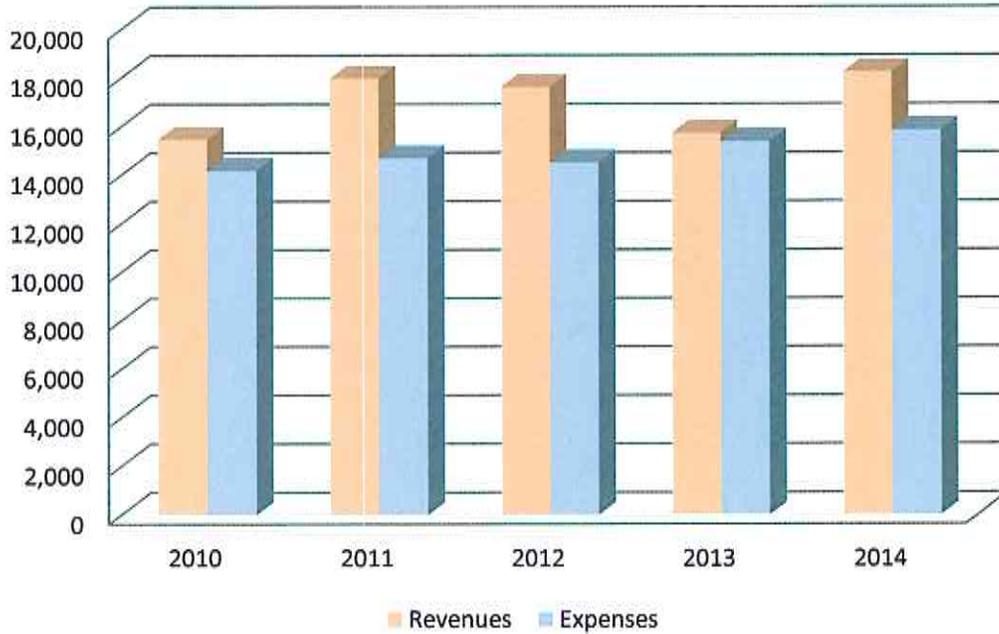
The City had an overall increase in revenues of \$2,498,140 or 15.9% (pg. 8, 24 and 25) compared to the prior year. The primary reason for the year-to-year increase was a jump in sales tax of \$1,213,491 or 22.4% (pg. 8 and 24) along with the donation of a \$733,000 MRAP (Mine Resistant Ambush Protected) rescue vehicle for the Police Department and a small increase in ad valorem taxes. Other taxes like beverage and franchise fees were up 30% and 3.2%, respectively. Service charges and licenses were up from budget 21.8% and 1.9% respectively. This large increase in service charges is due to an increase in building permits, zoo admission fees, Civic Center rental fees and the park's train fees. Zoning permits are over budget 257.5% due to increased requests for plats and increased rezoning of existing sites. Building permits are over budget 58.2% due to increased residential and commercial building activity. Gainesville development has centered on large new and remodeling projects including Atwoods, Duraliner and Zodiac. See page 20 for additional details on gentrification within Gainesville.

Total expenses for FY 2014 increased \$451,223 or 2.9% (pg. 8, 24 and 25) compared to the prior year.

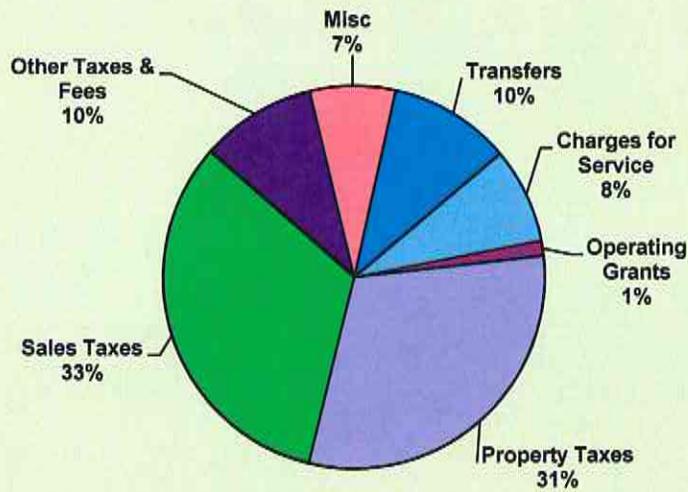
The net position of the governmental activities increased from the prior year by \$4,499,620, or 21.1% (pg. 8). This increase is mainly due to the improvement in revenues. The following graph depicts the five year history of the expenses and revenues.

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**Five Year History
(In Thousands)**

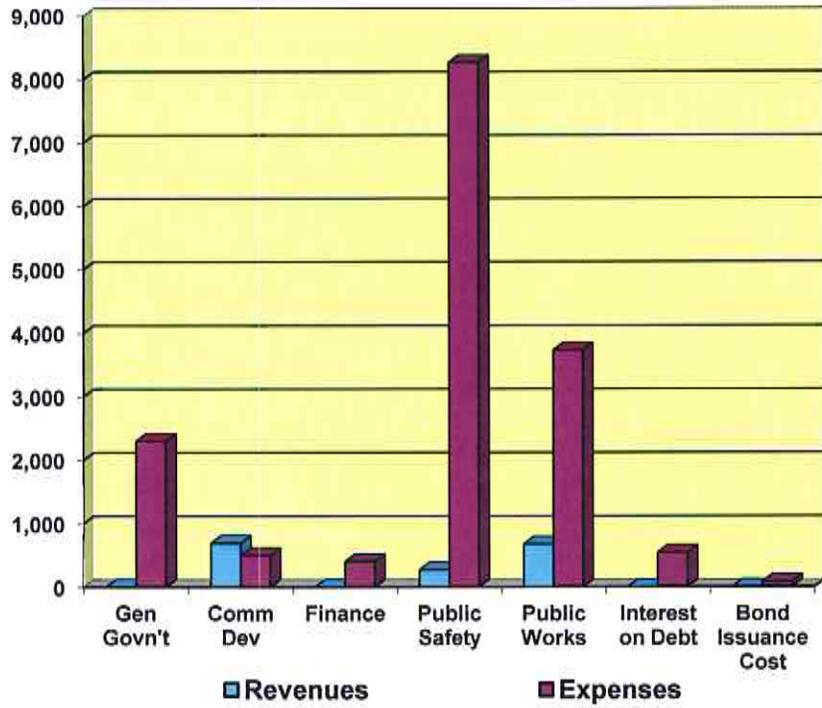


Revenues by Source - Governmental Activities



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Expenses and Program Revenues
Governmental Activities
(In thousands)

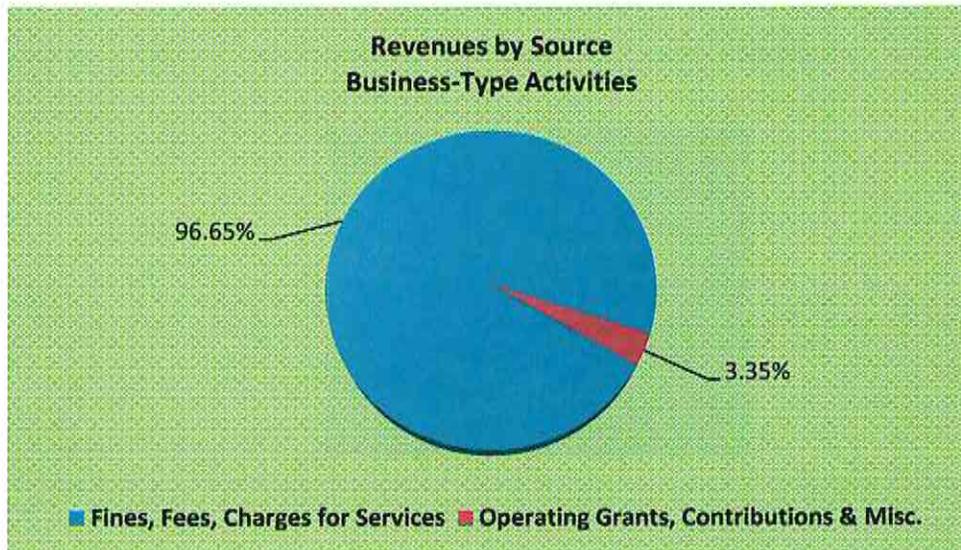


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Business-Type Activities. Total business-type revenues increased \$6,621,897 or 43.6%, of this amount charges for services decreased \$551,127 or 3.9% (pg. 8) and income from non operating sources increased \$6,700,348 due especially to the in-kind donation from the Corp of Engineers to the Stormwater Fund. The revenues of the Water Fund increased by \$471,409 or 6.2% (pg. 34). This increase was almost all related to the Environmental Protection Agency Grant that was received in FY 2014. The revenues of the Airport Fund increased \$126,505 or 11.1% primarily as a result of increased fuel sales. Revenues in the Golf Fund increased by \$21,649 or 12.6% due to more aggressive advertising and utilization of an interactive, stand-alone web site to book play. The Revenues in the Solid Waste Fund decreased by \$696,976 or 25.9% compared to last year. The decrease was almost all attributable to a large insurance reimbursement in FY 2013 that did not reoccur in 2014.

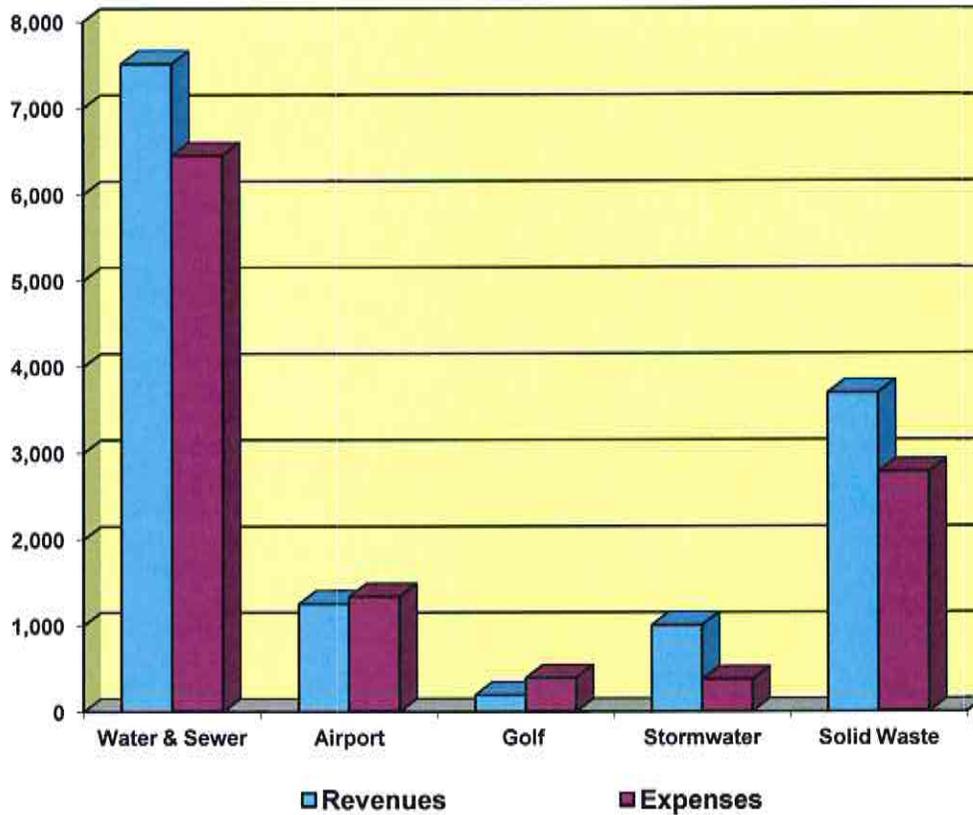
Total expenses increased in FY 2014 by \$1,252,721 or 12.4%. The Airport, Water and Sewer, Stormwater, Solid Waste and Golf Course Fund expenses increased \$82,216 or 6.5%, \$918,105 or 16.6%, \$111,970 or 42.8%, \$137,094 or 5.2% and \$3,336 or 0.8% respectively (pg. 8).

The business-type activity fund balances that increased are the Stormwater Fund by \$8,127,444 or 322.9% and Water & Sewer by \$459,385 or 8.7%. The business type activity net positions that decreased are Municipal Airport by \$52,356 or 1.4%, Solid Waste by \$141,597 or 8.0%, and Golf Fund by \$4,057 or 99.4%. It is worthy to note the decreases in Solid Waste, Airport and Golf Funds were solely from depreciation. The total net position of the business-type activities increased from the prior year \$8,388,819 or 63.5%. The settlement of Pecan Creek project added an additional \$8,505,413 to net position of which \$6,539,817 is from the in-kind donation (pg. 8, 34 and 35).



City of Gainesville, Texas
Management's Discussion and Analysis
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Operating Expenses and Program Revenues
Business-Type Activities
(In thousands)



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 \$22,692,963, an increase from the prior year of \$5,622,808 or 32.9% (pg.30).

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.

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- 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 32.6% or \$7,407,227 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 \$978, Restricted \$7,019,380 (30.9%), Committed \$1,409,953 (6.2%) and Assigned \$6,855,425 or 30.2% (pg. 26-27).

The General Fund is the chief operating fund of the City. At the end of FY 2014, unassigned fund balance in the General Fund was \$7,407,227 (pg. 26), of which \$6,594,361 is cash or 166 days of operating cash. There was an increase in General Fund balance \$191,036 or 2.6%.

- Gainesville's cash reserves equaled 166 days of operating cash in the General Fund as of the end of FY 2014. 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, a ladder truck and wild fire camera project in lieu of issuing debt. As a result of FY 2013 operations, \$484,308 was transferred to the Assigned Project Fund. During FY 2014, the City was able to place an additional \$2,504,039 of surplus funds into this assigned project fund, which will be used for additional projects in the city. Moreover, the City ended the year in the General Fund with \$68,267 more than budgeted.
- In FY 2014, the City budgeted to spend \$484,308 of the excess revenue created by the excess revenues in FY 2013 for several capital projects including a new roof on the Civic Center, demolitions, new signage at the public safety building and the I-35 and California intersection. The City generated an excess of \$1,596,796 during the current fiscal year in the Assigned Project Fund for future projects (pg. 88). The City still maintains a cash reserve of \$6,594,361 (pg. 26) in the General Fund which equates to 166 days of operation. The total fund balance represents 187 days of operations.

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

- The use of conservative budgeting for revenues and expenditures.
- Sales and property taxes exceeded budget by \$1,611,880 and \$175,176, respectively (pg. 76).
- Franchise Fees, Mixed Beverage Tax, service charges, licenses and permits, and other revenues exceeded budget by \$10,291, \$6,230, \$218,957, \$89,008 and \$837,723, respectively (pg. 24 and 25).

Key factors in increases in other governmental funds are:

- The Debt Service Fund has a restricted fund balance of \$1,063,979 (pg. 26). This fund balance increased during the year by \$39,231 or 3.8%. 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 \$789,424 (pg. 79). This reflects a \$20,763 or 2.7% fund balance increase from the prior year and \$39,415 more than budgeted (pg. 91). Moreover, the City is planning on reducing the Hotel/Motel Fund in order to complete several major projects in FY 2015. Gainesville anticipates a

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decrease in occupancy tax over the next few years because the casino has completed another hotel tower. Revenues in this fund exceeded budget by \$129,858, while expenditures exceeded budget by only \$86,476 (pg. 91).

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail (pg. 32 through 37). Unrestricted net position for proprietary funds include the Water and Sewer Fund \$3,515,755; the Solid Waste Fund \$1,082,901; Stormwater Utility Fund \$867,293; Golf Course Fund at a negative \$23,593; and the Municipal Airport Fund at a negative \$34,007. Total net position in the Water and Sewer Fund increased \$459,385 or 8.7%. Operating revenues increased \$471,409 or 6.3% while operating expenses increased \$956,816 or 18.3%. This is primarily due to a new capital lease in the water department and the contribution to GTUA for administration of the Environmental Protection Agency Grant. Total net position in the Solid Waste Fund decreased by \$141,597 or 8%. Operating revenues decreased \$696,976 or 15.9%, while operating expenses increased \$157,644 or 6.3%. This decrease is due to depreciation. Total net position in the Stormwater Utility Fund increased by \$8,127,444 or 322.9%. This increase is primarily due to the finalizing of Pecan Creek Drainage project and receiving in-kind and cash grants from the U.S. Army Corp of Engineers. Operating revenues decreased \$1,038 or 0.01%, operating expenses decreased \$4,452 or 2%. Total net position in the Golf Course Fund decreased \$4,057 or 99.4%. The operating revenues for the Golf Fund increased \$21,649 or 12.6%. This increase in revenues is the result of course improvements, aggressive advertising, a new interactive web site to book play and the loss of competition. The Golf Fund operating expenses increased \$3,715 or 0.9%. The total net position in the Municipal Airport Fund decreased by \$52,356 or 1.4%, mainly due to depreciation. Fuel sales were up by \$147,644 or 13.8% compared to prior year, while operating expenses increased by only \$85,716 or 6.9%.

Business-type activities increased the City's net position by \$8,388,819 (pg. 8 and 25). Two of the funds categorized as business-type activities experienced an increase in net position including Water and Sewer and Stormwater and three of the funds (Airport, Solid Waste and Golf Course) had a decrease in net position. The following are the key elements of these increases/decreases:

- The Solid Waste Fund decreased in Net Position by \$141,597 or 8.0% primarily due to depreciation.
- The Water and Sewer Fund saw an increase in Net Position of \$459,385 or 8.7% and an increase in Capital Assets of \$1,090,894 or 21.1%, primarily due to grants and a \$373,225 bond premium on the 2013 CO Bonds issued.
- The Stormwater Fund increased Net Position by \$8,127,444 or 322.9%. This increase is due to in-kind and cash grants from the U.S. Army Corp of Engineers.
- The Municipal Airport decreased total Net Position \$52,356, mainly due to depreciation. While operating expenses remained flat, the Municipal Airport was able to complete the renovations on the woman's and pilot lounge restroom areas. New sinks, faucets, vanities, tile on floor and walls, stall partitions and commodes were installed. New paint applied to ceiling and upper walls. Clients at the airport have expressed appreciation of the transformation occurring at the airport.

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- The Golf Course total Net Position decreased \$4,057 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 reduced by \$8,667.

General Fund Budgetary Highlights

The revenues in the original budget for FY 2014 were increased in the final budget by \$17,700 or 0.1% (pg. 77). The actual revenue total at year-end was more than the final budget by \$2,949,265 or 24.5%. The actual revenue finished greater than the final budget mainly due to higher than expected sales tax of \$1,611,880. Also, ad valorem tax, franchise fees, beverage taxes, service charges, license and permits and donations and other income came in \$175,176, \$10,291, \$6,230, \$218,957, \$89,008 and \$837,723 respectively over the final budgeted figures.

The final budget for General Fund total expenditures was decreased from the original budget by \$400,327 or 2.8%. The Capital Outlay budget decreased \$363,146. Decreases were made in ten of the twenty departments of the General Fund. The actual total expenditures for FY 2014 were \$33,516 or 0.2% under the original budget and \$366,811 or 2.6% under the final budget. Capital projects ended over the final budget by \$818,225. All departments finished the year under the original and final budgets except the following: Administration, Fire and Zoo.

The \$7,408,205 actual ending fund balance is \$68,267 (pg. 77) greater than the final budgeted amount and \$102,313 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, 2014, amounts to \$49,202,099 net of accumulated depreciation (pg. 7 and 23). The investment in capital assets includes land, buildings, machinery and equipment, improvements and construction-in-progress. The City's capital assets increased \$10,249,845 or 26.3%. This increase is comprised of \$403,226 from the Governmental Activities and \$9,846,619 from the business-type activities.

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

- The City has continued the radio read meter project in FY 2014. Approximately sixty percent (60%) of the City has the radio read meters at a cost of \$405,049 as of FY 2014.
- 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 2014, these funds were completely spent. In FY 2012, \$3,020,000 in Certificates of Obligation were issued to continue with the SUMP packages D and E. In FY 2014, the City sold \$4,765,000 to continue street improvements (pg. 54). Gainesville expended \$1,792,586 on SUMP projects (pg. 86) in FY 2014.

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2014

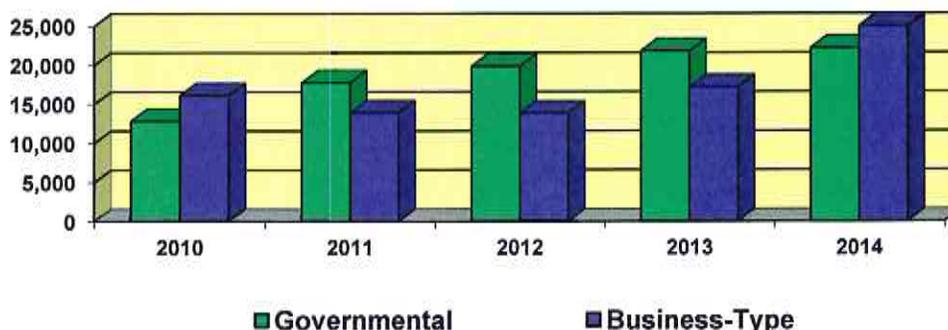
- The City continued construction on the expansion of the Moss Lake Water Treatment Plant and the Northwest Water Distribution Line. As of the end of FY 2014, \$334,950 was spent. This is estimated to be a \$7,096,000 project.
- The city began a Fiber Optic Project in partnership with the GEDC and Nortex Communication to bring Fiber Optic lines to the city and significantly increase city employee efficiency in all work related to the computer and internet. The first phase of this project began in FY 2014 with a cost of \$200,000. The foundation of Fiber Optics will allow the City to replace our current phone system. Moreover, this system will allow the City to be a more attractive destination for current and new businesses opportunities because of the gigabit data speed that will be available throughout the City.
- The Stormwater Fund spent \$182,220 on a street sweeper in FY 2014 and \$73,073 on a capital lease purchase for a new track loader.
- Capital Assets in the Stormwater fund increased by \$8,721,459, in large part due to in-kind cash and grants from the U.S. Army Corp of Engineers and the capitalization of the Pecan Creek Project.
- The Solid Waste Fund completed the rebuild on the Transfer Station, \$258,743 and spent \$114,235 to rebuild the damaged loader that was inside the station at the time of a fire. They also purchased a new 2015 Mack roll off truck in March 2014 for \$157,750 and a 2006 John Deere 135C RTS Excavator for \$46,000.

Additional information on the City's capital assets can be found in note III D (pg. 50-52) of this report.

City of Gainesville
Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$1,290,167	1,008,493	\$7,064,477	\$477,261	\$8,354,644	\$1,928,529
Buildings	9,644,814	9,458,543	2,598,962	2,402,931	12,243,776	11,861,474
Improvements	85,996,443	84,424,929	28,303,203	24,663,853	114,299,646	109,088,782
Machinery & equipment	11,220,790	8,551,823	10,307,820	9,380,782	21,528,610	17,932,605
Construction in progress	1,820,026	4,913,148	6,691,026	6,669,365	8,511,052	11,585,513
Less accumulated depreciation	(87,790,083)	(86,578,005)	(27,945,546)	(26,420,869)	(115,735,629)	(112,998,874)
Total	\$22,182,157	\$21,778,931	\$27,019,942	\$17,173,323	\$49,202,099	\$38,952,254

Capital Assets
Five Year History
(in thousands)



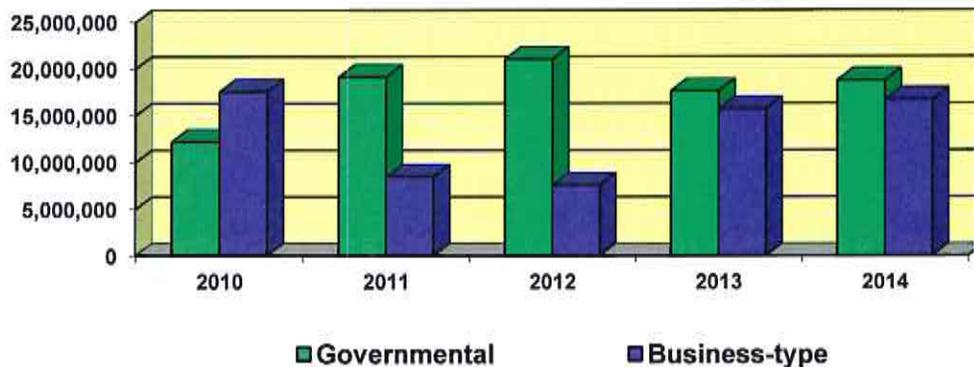
City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Long-Term Debt. As of September 30, 2014, the City of Gainesville had total debt outstanding of \$35,482,777 (see note III F). Of this amount, \$18,759,856 is in the Governmental Activities (pg. 54) and \$16,722,921 (pg. 57) is in the Business-Type Activities. The City's debt increased \$2,102,317 or 6.3% during FY 2014. Principal payments in FY 2014 were \$3,458,930 in scheduled debt payments in February and August 2014. The increase in outstanding debt reflects the retirement of old debt and new debt issued for improvements to streets totaling \$4,765,000.

City of Gainesville
Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$13,975,198	9,520,375	\$9,469,550	\$8,504,626	\$23,444,748	\$18,025,001
Certificates of obligation bonds	4,718,750	8,031,096	6,701,500	6,473,904	11,420,250	14,505,000
Premium/Disc. /Capital leases	65,908	97,826	551,871	647,633	617,779	745,459
Tax Notes payable	-	-	-	105,000	-	105,000
Total	\$18,759,856	\$17,649,297	\$16,722,921	\$15,731,163	\$35,482,777	\$33,380,460

Outstanding Debt
Five Year History



As of September 30, 2014, Moody's assigned the City's bond ratings at "Aa3". At the same time, Standard & Poor's assigned the City's bond ratings at "AA-". 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.

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2014

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. These capital improvements are a ladder truck for \$364,500, swimming pool for \$875,000, and various streets and water projects.

The City spent \$191,438 on demolitions which is leading to a safer, cleaner city. Gainesville is also starting to see gentrification as older structures are being improved. Gentrification is playing a large role in the City's economy with the demolition of older structures and new development on the sites. Starnes Orthodontics (\$300,000), Meador Funeral Home (\$655,000) and Nesaz, LLC (\$494,000) are three such businesses that have started construction on sites that were previously occupied with other buildings. An eight-lot, single family residential development was started after the demolition of an old school building on the site. At this time, six lots have been sold while four houses have been completed or started. The houses range in size and value from 4,640 sq. ft. (\$420,000) to 7,769 sq. ft. (\$850,000).

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 anticipates that sales tax will remain flat during 2015. Gainesville is budgeting to collect the same sales tax revenues in FY 2015 as for the FY 2014 revised budget. The sales tax rebate budget is also budgeted to remain the same. This calculates to net revenue of \$5,153,000 from sales tax.

The second largest revenue source for the General Fund is ad valorem (property) taxes. Gainesville citizens voted to authorize the City to issue up to ten million dollars in bonds for the purpose of constructing, improving, extending, expanding, upg.rading and developing streets and roads and bridges and intersections including utility relocation, landscaping, sidewalks, traffic safety, and operational improvements.

Based on the tax rate of \$0.687822 per \$100 of property value, the total ad valorem tax revenue (including delinquent penalties) is projected to increase over the FY 2014 budget by \$44,588 or 0.7%. Total ad valorem tax revenue (including delinquent penalties) is projected to be \$6,288,962. This is divided between the General Fund (\$4,065,336) and the Debt Service Fund (\$2,223,626).

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 decrease by 0.7% or (\$94,816) compared to the FY 2014 budget.

Water and Sewer Fund

The FY 2015 revenues are estimated to be \$7,679,975. A transfer of \$1,188,323 will be 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.

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Expenses are projected to decrease by \$484,667 or 6.0% in FY 2015 because of capital expenditures specifically related to the Environmental Protection Agency Grant administered on our behalf by GTUA.

Solid Waste Fund

The FY 2015 revenues for the Solid Waste Fund are projected to be flat, while the normal expenditures are anticipated to decrease.

Other Funds

The Golf Course and Airport funds are projected to decrease revenues over the FY 2014 budget, and Stormwater Drainage Fund is projected to increase revenues over the FY 2014 budget. Expenses in Golf Course, Airport and Stormwater Drainage funds are projected to decrease over the FY 2014 budget 2.4%, 5.1% and 12.3% respectively.

Additional information

The FY 2015 budget includes a personnel "pay-for-performance" program. Moreover, the FY 2015 budget includes an increase in the step pay scale for the Fire and Police while increasing the starting pay for all other city positions by 2%. Gainesville's compensation plan is designed to accomplish two goals: to compensate all employees in direct relation to the value of their position to the market and to compensate employees based upon their individual job contributions to the city. The City decreased the City match for retirement contributions from 10.8% to 9.6%. Gainesville is paying the full matching rate for the 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 2015 are projected to be \$11,631,000. 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 Development Board Water Infrastructure Funds, Homeland Security Grants, Environmental Protection Agency Grant, Bullet Proof Vest Grant and lease purchase agreements, for FY 2015 include the following:

- The General Fund will purchase \$105,000 of computer technology for administration and police.
- The General Fund will procure \$239,000 of vehicles and machinery.
- The General Fund will expend \$45,000 to renovate restrooms at the Civic Center.
- The General Fund will invest \$15,000 to paint and insulate the quarantine building at the Frank Buck Zoo.
- The General Fund will invest \$10,000 on street crack seal project and \$20,000 on walking trail overlay and trail improvements.
- The Water and Sewer fund is expending \$140,000 for new water and sewer mains.
- The Water and Sewer fund is purchasing heavy equipment and vehicles for \$86,000.
- The Water and Sewer fund will spend \$75,000 to implement a new automated work order system.
- The Solid Waste Department is purchasing \$298,000 in equipment and machinery.

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2014

- The Stormwater Department is purchasing equipment of \$49,000 and will purchase a work order system.
- The Peg Channel Fund is procuring \$60,000 in technology for Public Education Channels in the City.
- The Assigned Project Fund will be spending \$716,000 on demolitions, roofing projects, a fiber optic system for the entire city and road improvements.
- Gainesville is continuing its \$7.9 million Street and Utility Maintenance Program (SUMP) this year using 2012 and 2014 Certificates of Obligation issuances. Packages D, E, F and G are under construction.
- The City continues to move forward on a \$7.9 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 has been upgr.ated with a \$5.7 million bond during FY 2014. This work will continue through FY 2015.

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 \$80,000 and \$25,000, respectively for technology refresh and upgr.ade.
- A Fiber Optic system will replace old outdated internet and phone lines at a cost of \$226,000.
- The City will continue the implementation of automatic radio read meters for the water system at a cost of \$105,000 in FY 2015.
- In 2015, the City continues using Lean Six Sigma to improve efficiencies in City operations. This program has been implemented 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, 2014

	PRIMARY GOVERNMENT			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash	\$ 20,755,081	\$ 5,441,486	\$ 26,196,567	\$ 991,324
Investments	1,159,221	-	1,159,221	3,000,000
Receivables (Net of Allowances for Uncollectibles)				
Taxes	1,468,610	-	1,468,610	264,455
Service	-	1,288,281	1,288,281	-
Other	789,995	185,201	975,196	25,958
Inventories	978	-	978	-
Total Current Assets	<u>24,173,885</u>	<u>6,914,968</u>	<u>31,088,853</u>	<u>4,281,737</u>
Noncurrent Assets:				
Restricted Assets				
Cash	-	5,637,722	5,637,722	-
Capital Assets (Net)	22,182,157	27,019,942	49,202,099	2,441,998
Total Noncurrent Assets	<u>22,182,157</u>	<u>32,657,664</u>	<u>54,839,821</u>	<u>2,441,998</u>
TOTAL ASSETS	<u>46,356,042</u>	<u>39,572,632</u>	<u>85,928,674</u>	<u>6,723,735</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Loss on Refunding	523,359	261,724	785,083	-
LIABILITIES				
Current Liabilities:				
Accounts Payable	880,599	423,150	1,303,749	23,884
Accrued Expense	533,062	132,535	665,597	5,397
Interest Payable	69,360	63,897	133,257	-
Deposits	68,926	207,540	276,466	1,500
Current Portion-Long Term Debt	1,429,204	1,514,730	2,943,934	217,783
Total Current Liabilities	<u>2,981,151</u>	<u>2,341,852</u>	<u>5,323,003</u>	<u>248,564</u>
Noncurrent Liabilities:				
Accrued Compensated Absences	309,141	55,015	364,156	1,834
Postclosure Care Costs	-	624,482	624,482	-
Long-Term Debt	17,724,887	15,208,192	32,933,079	2,282,217
Total Noncurrent Liabilities	<u>18,034,028</u>	<u>15,887,689</u>	<u>33,921,717</u>	<u>2,284,051</u>
TOTAL LIABILITIES	<u>21,015,179</u>	<u>18,229,541</u>	<u>39,244,720</u>	<u>2,532,615</u>
NET POSITION				
Net Investment in Capital Assets Nonexpendable	3,551,425	16,196,466	19,747,891	2,441,998
Restricted for Permanent Endowment	1,420,639	-	1,420,639	-
Unrestricted	20,892,158	5,408,349	26,300,507	1,749,122
TOTAL NET POSITION	<u>\$ 25,864,222</u>	<u>\$ 21,604,815</u>	<u>\$ 47,469,037</u>	<u>\$ 4,191,120</u>

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, 2014

FUNCTIONS/ACTIVITY	PROGRAM REVENUES			NET (EXPENSE) REVENUES AND CHANGES IN NET POSITION			COMPONENT UNIT
	EXPENSES	FINES, FEES, AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT BUSINESS-			
				GOVERNMENTAL ACTIVITIES	ACTIVITIES	TOTAL	
Primary Government:							
Governmental Activities							
General Government	\$ 2,301,376	\$ -	\$ -	\$ (2,301,376)	\$ -	\$ (2,301,376)	\$ -
Community Development	499,803	691,640	-	191,837	-	191,837	-
Finance	404,366	-	-	(404,366)	-	(404,366)	-
Public Safety	8,262,814	272,044	67,191	(7,923,579)	-	(7,923,579)	-
Public Works	3,731,174	675,361	193,603	(2,862,210)	-	(2,862,210)	-
Bond Issuance Costs	79,487	-	-	(79,487)	-	(79,487)	-
Interest on Long-Term Debt	544,840	-	-	(544,840)	-	(544,840)	-
Total Governmental Activities	15,823,860	1,639,045	260,794	(13,924,021)	-	(13,924,021)	-
Business-Type Activities							
Water and Sewer	6,450,530	7,510,490	455,900	-	1,515,860	1,515,860	-
Municipal Airport	1,336,488	1,250,890	16,776	-	(68,822)	(68,822)	-
Golf Course	390,556	193,863	-	-	(196,693)	(196,693)	-
Stormwater	373,440	1,002,231	-	-	628,791	628,791	-
Solid Waste	2,775,951	3,690,851	-	-	914,900	914,900	-
Total Business-Type Activities	11,326,965	13,648,325	472,676	-	2,794,036	2,794,036	-
Total Primary Government	\$ 27,150,825	\$ 15,287,370	\$ 733,470	\$ (13,924,021)	\$ 2,794,036	\$ (11,129,985)	\$ -
Component Unit:							
Gainesville Economic Development Corp.	\$ 1,535,056	\$ 361,853	\$ -	\$ -	\$ -	\$ -	\$ (1,173,203)
General Revenues:							
Taxes							
Property Taxes				\$ 6,216,770	\$ -	\$ 6,216,770	\$ -
Sales Taxes				6,622,880	-	6,622,880	1,443,924
Franchise Fees				1,314,767	-	1,314,767	-
Occupancy Taxes				649,982	-	649,982	-
Mixed Beverage Taxes				37,416	-	37,416	-
Investment Income				11,821	5,795	17,616	2,043
Donations				733,000	6,539,817	7,272,817	-
Miscellaneous				726,148	1,160,028	1,886,176	-
Transfers In (Out) between Governmental and Business-Type Activities				2,110,857	(2,110,857)	-	-
Total General Revenues and Transfers				18,423,641	5,594,783	24,018,424	\$ 1,445,967
Change in Net Position				4,499,620	8,388,819	12,888,439	272,764
Net Position-Beginning of Year				21,364,602	13,215,996	34,580,598	3,918,356
Net Position-End of Year				\$ 25,864,222	\$ 21,604,815	\$ 47,469,037	\$ 4,191,120

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.



Fund Financial Statements



Governmental Funds
Financial Statements

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	MAJOR FUNDS					TOTAL
	GENERAL FUND	DEBT SERVICE FUND	2014 GO BOND	ASSIGNED PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	
ASSETS:						
Cash	\$ 5,549,064	\$ 1,064,517	\$ 5,000,089	\$ 4,107,254	\$ 5,034,157	\$ 20,755,081
Investments	1,045,297	-	-	-	113,924	1,159,221
Receivables (Net of Allowances for Uncollectibles)						
Taxes	1,422,513	46,097	-	-	-	1,468,610
Other	729,885	-	-	-	60,110	789,995
Inventory	978	-	-	-	-	978
Due from Component Unit	-	-	-	-	-	-
Interfund Receivable	-	-	-	-	-	-
TOTAL ASSETS	8,747,737	1,110,614	5,000,089	4,107,254	5,208,191	24,173,885
LIABILITIES:						
Accounts Payable	\$ 785,306	\$ 538	-	\$ -	\$ 94,755	\$ 880,599
Accrued Expenses	223,920	-	-	-	-	223,920
Funds Held for Others	68,926	-	-	-	-	68,926
Interfund Payable	-	-	-	-	-	-
TOTAL LIABILITIES	1,078,152	538	-	-	94,755	1,173,445
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenue	261,380	46,097	-	-	-	\$ 307,477
FUND BALANCES:						
Nonspendable:						
Inventories	978	-	-	-	-	978
Restricted:						
Debt Service	-	1,063,979	-	-	-	1,063,979
Construction	-	-	5,000,089	-	-	5,000,089
Tourism and the Arts	-	-	-	-	789,424	789,424
Other	-	-	-	-	165,888	165,888
Committed:						
Cemetery	-	-	-	-	1,409,953	1,409,953
Assigned:						
Stanford House	-	-	-	-	239,828	239,828
Construction	-	-	-	-	2,477,635	2,477,635
Other	-	-	-	4,107,254	30,708	4,137,962
Unassigned	7,407,227	-	-	-	-	7,407,227
TOTAL FUND BALANCES	7,408,205	1,063,979	5,000,089	4,107,254	5,113,436	22,692,963
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 8,747,737	\$ 1,110,614	\$ 5,000,089	\$ 4,107,254	\$ 5,208,191	\$ 24,173,885

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 GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
September 30, 2014

Total Fund Balance - Total Governmental Funds	\$ 22,692,963
Amounts reported for governmental activities in the statement of net position 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.	307,477
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 \$87,790,084.	22,182,157
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.	(69,360)
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.	(18,693,946)
Costs associated with long term debt are not reported in the governmental funds balance sheets.	
Deferred Loss on Early Extinguishment of Debt	523,359
Premium on Bonds	(460,145)
Compensated absences are not reported as liabilities in the governmental fund balance sheet.	(618,283)
Net Position of Governmental Activities	<u>\$ 25,864,222</u>

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

CITY OF GAINESVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

REVENUES:	MAJOR FUNDS					TOTAL
	GENERAL	DEBT SERVICE FUND	2014 GO BONDS	ASSIGNED PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	
Taxes						
Ad Valorem Taxes	\$ 4,289,954	\$ 1,937,511	\$ -	\$ -	\$ -	\$ 6,227,465
Sales Taxes	6,622,880	-	-	-	-	6,622,880
Franchise Tax	1,314,767	-	-	-	-	1,314,767
Occupancy Tax	-	-	-	-	649,982	649,982
Mixed Beverage Tax	37,416	-	-	-	-	37,416
Service Charges	1,066,065	-	-	-	25,715	1,091,780
License & Permits	243,778	-	-	-	31,443	275,221
Fines & Forfeitures	363,193	-	-	-	31,168	394,361
Investment Income	2,059	893	116	1,089	7,664	11,821
Intergovernmental Revenues	67,191	-	-	-	193,603	260,794
Donations	733,000	-	-	-	-	733,000
Other Income	230,692	18,000	-	100,000	233,462	582,154
TOTAL REVENUES	14,970,995	1,956,404	116	101,089	1,173,037	18,201,641

EXPENDITURES:	MAJOR FUNDS					TOTAL
Current	GENERAL	DEBT SERVICE FUND	2014 GO BONDS	ASSIGNED PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
General Government	1,475,510	99,080	27	59,874	341,717	1,976,208
Community Development	440,433	-	-	-	-	440,433
Finance	418,602	-	-	-	-	418,602
Public Safety	7,832,400	-	-	-	16,316	7,848,716
Public Works	3,090,857	-	-	-	14,978	3,105,835
Non Departmental	-	-	-	-	-	-
Debt Service	-	1,371,400	-	-	-	1,371,400
Principal	-	561,934	-	-	-	561,934
Interest	-	-	79,487	-	-	79,487
Bond Issuance Costs	-	-	-	-	-	-
Capital Outlay	1,225,882	-	-	883,256	1,873,574	3,982,712
TOTAL EXPENDITURES	14,483,684	2,032,414	79,514	943,130	2,246,585	19,785,327

EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	487,311	(76,010)	(79,398)	(842,041)	(1,073,548)	(1,583,686)
------------------------------------------------------------------	----------------	-----------------	-----------------	------------------	--------------------	--------------------

OTHER FINANCING SOURCES (USES):	MAJOR FUNDS					TOTAL
Bonds Issued	-	759,179	5,079,487	-	-	5,838,666
Payment to Escrow Agent	-	(743,029)	-	-	-	(743,029)
Funds Transferred In	2,736,860	108,360	-	2,504,039	496,937	5,846,196
Funds Transferred Out	(3,033,135)	(9,269)	-	(95,202)	(597,733)	(3,735,339)
TOTAL OTHER FINANCING SOURCES (USES):	(296,275)	115,241	5,079,487	2,408,837	(100,796)	7,206,494

NET CHANGE IN FUND BALANCES	191,036	39,231	5,000,089	1,566,796	(1,174,344)	5,622,808
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FUND BALANCE - October 1	7,217,169	1,024,748	-	2,540,458	6,287,780	17,070,155
FUND BALANCE - September 30	\$ 7,408,205	\$ 1,063,979	\$ 5,000,089	\$ 4,107,254	\$ 5,113,436	\$ 22,692,963

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, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 5,622,808

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 position, 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 position in the current period. 3,982,712

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:

Amortization of Loss on Early Extinguishment of Debt	(48,950)
Amortization of Bond Premium	22,453

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. (1,525,090)

Compensated absences are accrued on the government-wide statement of net position 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 position. The current period net decrease in compensated absences is not reported as expenditures in governmental funds. 141,848

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. 17,094

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 143,994

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 \$5,838,666 exceeds repayments of principal of \$1,371,400 and payment to escrow agent of \$743,029. (3,724,237)

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. (133,012)

Change in Net Position of Governmental Activities \$ 4,499,620

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



Proprietary Funds
Financial Statements

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 September 30, 2014

ASSETS	WATER & SEWER	MUNICIPAL AIRPORT	SOLID WASTE	STORMWATER	OTHER ENTERPRISE FUNDS		TOTAL
					GOLF FUND		
Cash	\$ 3,088,952	\$ 811	\$ 1,483,105	\$ 867,759	\$ 859	\$ 859	\$ 5,441,486
Receivables (Net of Allowances for Uncollectibles)							
Service	779,496	65,650	336,257	106,878	-	-	1,288,281
Other	185,162	-	-	-	39	-	185,201
Interfund Receivables	-	-	90,000	-	-	-	90,000
Total Current Assets	4,053,610	66,461	1,909,362	974,637	898	898	7,004,968
Noncurrent Assets:							
Restricted Assets:							
Cash	5,637,722	-	-	-	-	-	5,637,722
Interfund Receivables	-	-	-	-	-	-	-
Capital Assets (net)	6,270,087	3,820,191	2,357,793	14,485,067	86,804	86,804	27,019,942
Total Noncurrent Assets	11,907,809	3,820,191	2,357,793	14,485,067	86,804	86,804	32,657,664
TOTAL ASSETS	15,961,419	3,886,652	4,267,155	15,459,704	87,702	87,702	39,662,632
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Loss on Refunding	81,089	6,675	109,674	58,310	5,976	5,976	261,724
LIABILITIES							
Current Liabilities:							
Accounts Payable	203,251	7,461	125,601	79,493	7,344	7,344	423,150
Accrued Expense	68,423	4,933	47,615	3,003	8,561	8,561	132,535
Interfund Payables	-	85,000	-	-	5,000	5,000	90,000
Interest Payable	33,649	797	6,143	22,976	332	332	63,897
Customer Deposits	204,470	-	2,995	75	-	-	207,540
Capital Leases Payable-Current Portion	-	-	-	72,902	-	-	72,902
Revenue Bonds Payable-Current Portion	789,396	41,359	281,812	322,628	6,633	6,633	1,441,828
Total Current Liabilities	1,299,189	139,550	464,166	501,077	27,870	27,870	2,431,852
Noncurrent Liabilities:							
Accrued Compensated Absences	28,062	2,277	19,625	1,797	3,254	3,254	55,015
Postclosure Care Costs Payable	-	-	624,482	-	-	-	624,482
Capital Leases Payable	-	-	-	-	-	-	-
Revenue Bonds Payable	8,954,714	186,132	1,633,853	4,370,962	62,531	62,531	15,208,192
Total Noncurrent Liabilities	8,982,776	188,409	2,277,960	4,372,759	65,785	65,785	15,887,689
TOTAL LIABILITIES	10,281,965	327,959	2,742,126	4,873,836	93,655	93,655	18,319,541
NET POSITION							
Net Investment in Capital Assets	2,244,788	3,599,375	551,802	9,776,885	23,616	23,616	16,196,466
Unrestricted	3,515,755	(34,007)	1,062,901	867,293	(23,593)	(23,593)	5,408,349
TOTAL NET POSITION	\$ 5,760,543	\$ 3,565,368	\$ 1,634,703	\$ 10,644,178	\$ 23	\$ 23	\$ 21,604,815

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
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	WATER & SEWER	MUNICIPAL AIRPORT	SOLID WASTE	STORMWATER	OTHER ENTERPRISE FUNDS		TOTAL
					GOLF FUND		
OPERATING REVENUES							
Charges for Services	\$ 7,494,365	\$ 1,238,042	\$ 3,608,558	\$ 1,002,182	\$	192,299	\$ 13,535,446
Grant Revenue	455,900	16,776	-	-	-	-	\$ 472,676
Other Income	16,125	12,848	82,293	49	-	1,564	112,879
TOTAL OPERATING REVENUES	7,966,390	1,267,666	3,690,851	1,002,231		193,863	14,121,001
OPERATING EXPENSES							
Salaries and Benefits	1,667,662	103,655	682,375	83,595		228,314	2,765,601
Supplies, Materials, Repair and Maintenance	929,016	933,390	397,443	14,186		54,114	2,328,149
Heat, Light and Power	570,532	20,301	9,252	-		24,531	624,616
Lease Payments	1,498,060	13,200	-	-		-	1,511,260
Other	751,803	32,666	1,219,721	33,354		50,394	2,087,938
Depreciation	757,681	223,236	333,479	81,872		29,923	1,426,191
TOTAL EXPENSES	6,174,754	1,326,448	2,642,270	213,007		387,276	10,743,755
OPERATING INCOME (LOSS)	1,791,636	(58,782)	1,048,581	789,224		(193,413)	3,377,246
NONOPERATING REVENUES							
(EXPENSES)							
Reevaluation of Postclosure Care Costs	-	-	(42,698)	-		-	(42,698)
Amortization of Bond Premium	7,715	(680)	(14,377)	(4,129)		(515)	(11,986)
Bond Issuance Costs	(24,004)	(1,273)	(11,791)	-		-	(37,068)
Donations	185,403	16,448	-	6,539,817		-	6,539,817
Other	4,199	18	962	958,177		-	1,160,028
Investment Income	-	-	-	616		-	5,795
Interest Expense	(259,487)	(8,087)	(64,815)	(156,304)		(2,765)	(491,458)
TOTAL NONOPERATING REVENUES (EXPENSES)	(86,174)	6,426	(132,719)	7,338,177		(3,280)	7,122,430
INCOME BEFORE TRANSFERS	1,705,462	(52,356)	915,862	8,127,401		(196,693)	10,499,676
TRANSFERS							
Transfers In	-	-	5,000	189,612		192,636	387,248
Transfers Out	(1,246,077)	-	(1,062,459)	(189,569)		-	(2,498,105)
NET TRANSFERS	(1,246,077)	-	(1,057,459)	43		192,636	(2,110,857)
CHANGE IN NET POSITION	459,385	(52,356)	(141,597)	8,127,444		(4,057)	8,388,819
NET POSITION, OCTOBER 1	5,301,158	3,617,724	1,776,300	2,516,734		4,080	13,215,996
NET POSITION, SEPTEMBER 30	\$ 5,760,543	\$ 3,565,368	\$ 1,634,703	\$ 10,644,178		\$ 23	\$ 21,604,815

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
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	WATER AND SEWER FUND	MUNICIPAL AIRPORT	SOLID WASTE FUND	STORMWATER	GOLF	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Customers	\$ 7,959,908	\$ 1,222,743	\$ 4,270,814	\$ 1,004,703	\$ 193,968	\$ 14,652,136
Payments to Suppliers for Goods and Services	(3,816,903)	(1,023,957)	(1,979,468)	(46,119)	(135,142)	(7,001,589)
Payments to Employees	(1,666,616)	(100,967)	(680,246)	(84,631)	(232,555)	(2,765,015)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,476,389	97,819	1,611,100	873,953	(173,729)	4,885,532
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers In	-	-	5,000	189,612	182,636	377,248
Payments Made on Loans from Other Funds	(1,246,077)	-	(1,062,459)	(189,569)	-	(2,498,105)
Receipts From Loans from Other Funds	-	-	-	-	-	-
Payments Received on Loans to Other Funds	-	(16,000)	11,200	-	14,800	10,000
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(1,246,077)	(16,000)	(1,046,259)	43	197,436	(2,110,857)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	(435,376)	(33,870)	(556,133)	-	(14,452)	(1,039,831)
Proceeds from Debt Issuance	-	-	-	-	-	-
Payment of Bond Issuance Costs	-	-	-	-	-	-
Payment of Postclosure Care Costs	-	-	(33,469)	-	-	(33,469)
Principal Paid on Bonds and Certificates of Obligation	(589,332)	(39,193)	(369,804)	(418,995)	(5,734)	(1,423,058)
Interest and Paying Agent Fees Paid on Bonds, Notes, and Certificates of Obligation	(323,616)	(8,580)	(68,715)	(143,281)	(2,746)	(546,938)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,348,324)	(81,643)	(1,028,121)	(562,276)	(22,932)	(3,043,296)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on Investments	4,199	18	961	615	-	5,793
Proceeds from Maturities of Investments	-	-	-	-	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	4,199	18	961	615	-	5,793
INCREASE (DECREASE) IN CASH DURING YEAR	(113,813)	194	(462,319)	312,335	775	(262,828)
CASH - October 1	8,840,487	617	1,945,424	555,424	84	11,342,036
CASH - September 30	\$ 8,726,674	\$ 811	\$ 1,483,105	\$ 867,759	\$ 859	\$ 11,079,208
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 1,791,636	\$ (58,782)	\$ 1,048,581	\$ 789,224	\$ (193,413)	\$ 3,377,246
Adjustments:						
Depreciation Expense	757,681	223,236	333,479	81,872	29,923	1,426,191
Change in Assets and Liabilities:						
Receivables, Net	(13,750)	(44,923)	584,961	2,472	105	528,865
Inventories	-	-	-	-	-	-
Accounts Payable	(67,492)	(24,400)	(353,052)	1,421	(6,103)	(449,626)
Accrued Expense	1,046	2,688	2,129	(1,036)	(4,241)	586
Customer Deposits	7,268	-	(4,998)	-	-	2,270
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,476,389	\$ 97,819	\$ 1,611,100	\$ 873,953	\$ (173,729)	\$ 4,885,532
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Capital Assets Acquired with Capital Lease	\$ 122,980	\$ -	\$ -	\$ -	\$ -	\$ 122,980

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.



Notes to Basic
Financial Statements

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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

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:

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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 are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

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. 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 changes in the City's net position from October 1, 2013 to September 30, 2014. 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 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,

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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, 2014:

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.

2014 GO Bond Fund - This fund accounts for the street utility maintenance project funded by the 2014 General Obligation Bonds.

Assigned Projects Fund - 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, 2014:

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.

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

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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. The availability period for intergovernmental revenues is 60 days.

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.

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.

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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, 2014, 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.

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.

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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	25-40 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. There were no outstanding encumbrances as of September 30, 2014.

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.

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.

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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.

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.

9. Deferred Inflows of Resources

The Deferred Inflows of Resources consist of Property taxes in the amount of \$146,333, Court warrants \$160,889, and Miscellaneous \$255.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. 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.

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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, 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, 2014, expenditures exceeded appropriations in the following funds:

	Excess Amount
General Fund:	
Administration	\$ 9,507
Fire	110,865
Zoo Operations	43,418
Capital Outlay	818,225
Debt Service:	
General Government	7,324
Interest & Fiscal Charges	28,838
Assigned Capital Fund	400,844
Nonmajor Governmental Funds:	
Juvenile Case Manager	591
State Seizure Fund	3,596
Hotel/Motel	86,476

C. Deficit Fund Equity

None

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III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

At September 30, 2014, cash and cash equivalents consisted of the following:

Cash on Hand	\$ 5,425
Cash Equivalents - TexStar & TexPool	30,628,044
Cash in Banks	2,192,144
Total Cash and Cash Equivalents	<u>\$32,825,613</u>

	Governmental Activities	Business Activities	Component Unit	Total
Cash and Cash Equivalents	\$ 20,755,081	\$ 5,441,486	\$ 991,324	\$27,187,891
Restricted Cash and Cash Equivalents	-	5,637,722	-	5,637,722
Totals	<u>\$ 20,755,081</u>	<u>\$ 11,079,208</u>	<u>\$ 991,324</u>	<u>\$32,825,613</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, 2014, the City had \$5,425 of cash on hand. The carrying amount of the City's cash in bank totaled \$2,192,144 and bank balance was \$2,518,810. During the year, there were minor instances of the amounts in the bank that were over the FDIC and pledged security limit, however at September 30, 2014, the deposits 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, 2014, as reflected in the statement of net position was \$273,669 and the bank balance was \$360,351. 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 \$5,236,371 on deposit with TexPool and \$24,674,020 on deposit with TexStar at September 30, 2014. The GEDC had \$767,445 on deposit with TexStar at September 30, 2014.

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, 2014, 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.

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Investment Type	Rating	Investment Maturities			
		Total	Less than 1	1-5	5 years or more
Certificates of Deposits		\$ 4,046,611	\$ 4,046,611	\$ -	\$ -
Mutual Funds		58,120	58,120	-	-
Bonds	AA	54,490	-	-	54,490
		<u>\$ 4,159,221</u>	<u>\$ 4,104,731</u>	<u>\$ -</u>	<u>\$ 54,490</u>

Investments	Governmental	Business	Component	Total
	Activities	Activities	Unit	
	\$ 1,159,221	\$ -	\$ 3,000,000	\$ 4,159,221

Fair value of assets measured on a recurring basis of the GEDC at September 30, 2014 is as follows:

Component Unit	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Certificates of Deposits	\$ 3,000,000	\$ -	\$ 3,000,000	\$ -

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, neither 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, 2014, the rates were \$.445078 and \$.200922, respectively, per \$100 of assessed value. At September 30, 2014, the City had a tax margin of \$1.854002 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, 2014, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

CITY OF GAINESVILLE, TEXAS
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	Governmental Funds					Total
	General Fund	Debt Service	2014 GO Bond	Assigned General Capital	Nonmajor Funds	
Property Taxes	\$ 125,686	\$ 60,947	-	-	\$ -	\$ 186,633
Sales Tax	1,322,277	-	-	-	-	1,322,277
Other Local Fees	-	-	-	-	60,110	60,110
Franchise Fees	267,393	-	-	-	-	267,393
Court Warrants	499,932	-	-	-	-	499,932
Grants	43,012	-	-	-	-	43,012
Other	168,628	-	-	-	-	168,628
	<u>2,426,928</u>	<u>60,947</u>	<u>-</u>	<u>-</u>	<u>60,110</u>	<u>2,547,985</u>
Allowance for Uncollectibles	(274,530)	(14,850)	-	-	-	(289,380)
Net Receivables	<u>\$ 2,152,398</u>	<u>\$ 46,097</u>	<u>-</u>	<u>-</u>	<u>\$ 60,110</u>	<u>\$ 2,258,605</u>

	Proprietary Funds					Total
	Water and Sewer	Municipal Airport	Solid Waste	Stormwater Utility	Nonmajor-Golf Fund	
Service Receivables	\$ 784,643	\$ 65,650	\$ 340,616	\$ 108,734	\$ -	\$ 1,299,643
Other	185,162	-	-	-	39	185,201
	<u>969,805</u>	<u>65,650</u>	<u>340,616</u>	<u>108,734</u>	<u>39</u>	<u>1,484,844</u>
Allowance for Uncollectibles	(5,147)	-	(4,359)	(1,856)	-	(11,362)
Net Receivables	<u>\$ 964,658</u>	<u>\$ 65,650</u>	<u>\$ 336,257</u>	<u>\$ 106,878</u>	<u>\$ 39</u>	<u>\$ 1,473,482</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, 2014 are as follows:

Receivable Fund	Payable Fund	Amount
Enterprise Funds:		
Solid Waste Utility Fund	Municipal Airport	\$ 85,000
Solid Waste Utility Fund	Golf Fund	5,000

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.

2. Interfund Transfers

The following is a summary of interfund operating transfers:

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<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds:		
General Fund	Nonmajor Governmental Funds	\$ 401,869
	Water & Sewer Utility	1,188,323
	Stormwater Utility	189,569
	Solid Waste Utility	954,099
	Permanent Fund	3,000
Debt Service Fund	Solid Waste Utility	108,360
Assigned Projects Fund	General Fund	2,504,039
Nonmajor Governmental Funds	General Fund	356,343
	Assigned Projects Fund	82,840
	Water & Sewer Utility	57,754
Enterprise Funds:		
Solid Waste	Assigned Projects Fund	5,000
Stormwater Utility	Nonmajor Governmental Funds	189,612
Nonmajor Enterprise Funds	General Fund	180,115
	Debt Service Fund	9,269
	Nonmajor Governmental Funds	3,252
		<u>\$ 6,233,444</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.

D. Capital Assets

Capital asset activity for the year ended September 30, 2014 was as follows:

Governmental Activities:	Balance 10/1/2013	Additions/ Completions	Transfers & Deletions	Balance 9/30/2014
Non-Depreciable Capital Assets:				
Construction				
In Progress	\$ 4,913,148	\$ -	\$ (3,093,122)	\$ 1,820,026
Land & Land Rights	1,008,493	74,525	207,149	1,290,167
	<u>5,921,641</u>	<u>74,525</u>	<u>(2,885,973)</u>	<u>3,110,193</u>
Depreciable Capital Assets:				
Machinery & Equip.	6,235,768	1,660,581	1,163,730	9,060,079
Furniture & Fixtures	196,026	-	-	196,026
Office Mach. & Equip.	2,120,029	84,171	(239,515)	1,964,685
Buildings	9,458,543	28,301	157,970	9,644,814
Improvements	84,424,929	2,135,134	(563,620)	85,996,443
	<u>102,435,295</u>	<u>3,908,187</u>	<u>518,565</u>	<u>106,862,047</u>
Less Accumulated Depreciation:				
Machinery & Equip.	(5,018,722)	(496,250)	137,572	(5,377,400)
Furniture & Fixtures	(175,939)	(3,329)	2	(179,266)
Office Mach. & Equip.	(1,927,910)	(100,184)	243,081	(1,785,013)
Buildings	(6,213,654)	(270,239)	13,772	(6,470,121)
Improvements	(73,241,780)	(655,088)	(81,415)	(73,978,283)
	<u>(86,578,005)</u>	<u>(1,525,090)</u>	<u>313,012</u>	<u>(87,790,083)</u>
Net Depreciable Capital Assets	<u>15,857,290</u>	<u>2,383,097</u>	<u>831,577</u>	<u>19,071,964</u>
Net Capital Assets	<u>\$ 21,778,931</u>	<u>\$ 2,457,622</u>	<u>\$ (2,054,396)</u>	<u>\$ 22,182,157</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

	Balance 10/1/2013	Additions/ Completions	Transfers/ Disposals	Balance 9/30/2014
Proprietary Funds (in Aggregate):				
<u>Non-Depreciable Capital Assets:</u>				
Construction				
in Progress	\$ 6,669,365	\$ -	\$ 21,661	\$ 6,691,026
Land & Land Rights	477,261	6,540,569	46,647	7,064,477
	<u>7,146,626</u>	<u>6,540,569</u>	<u>68,308</u>	<u>13,755,503</u>
<u>Depreciable Capital Assets:</u>				
Machinery & Equip.	9,161,051	803,405	118,475	10,082,931
Furniture & Fixtures	1,080	-	-	1,080
Office Mach. & Equip.	218,651	-	5,158	223,809
Buildings	2,402,931	211,507	(15,476)	2,598,962
Improvements	9,841,115	14,719	5,091,279	14,947,113
Plant In Svc-Water	12,772,593	57,850	(1,743,948)	11,086,495
Plant In Svc-Sewer	2,050,145	147,665	71,785	2,269,595
	<u>36,447,566</u>	<u>1,235,146</u>	<u>3,527,273</u>	<u>41,209,985</u>
Less Accumulated Depreciation:				
Machinery & Equip.	(6,233,884)	(527,097)	281,868	(6,479,113)
Furniture & Fixtures	(1,080)	-	-	(1,080)
Office Mach. & Equip.	(189,509)	(10,328)	(11,452)	(211,289)
Buildings	(1,752,583)	(69,822)	(1)	(1,822,406)
Improvements	(8,845,732)	(488,218)	2,679,755	(6,654,195)
Plant In Svc-Water	(8,140,137)	(282,277)	(2,626,991)	(11,049,405)
Plant In Svc-Sewer	(1,257,944)	(48,448)	(421,666)	(1,728,058)
	<u>(26,420,869)</u>	<u>(1,426,190)</u>	<u>(98,487)</u>	<u>(27,945,546)</u>
Net Depreciable Capital Assets	<u>10,026,697</u>	<u>(191,044)</u>	<u>3,428,786</u>	<u>13,264,439</u>
Net Capital Assets	<u>\$ 17,173,323</u>	<u>\$ 6,349,525</u>	<u>\$ 3,497,094</u>	<u>\$ 27,019,942</u>
	Balance 10/1/2013	Additions/ Completions	Disposals	Balance 9/30/2014
Discretely Presented Component Unit:				
<u>Non-Depreciable Capital Assets:</u>				
Land & Land Rights	\$ 1,174,253	\$ 10,000	\$ -	\$ 1,184,253
<u>Depreciable Capital Assets:</u>				
Office Mach. & Equip.	39,630	-	(38,000)	1,630
Buildings	1,975,114	9,700	-	1,984,814
	<u>2,014,744</u>	<u>9,700</u>	<u>(38,000)</u>	<u>1,986,444</u>
Less Accumulated Depreciation:				
Office Mach. & Equip.	(16,223)	-	14,593	(1,630)
Buildings	(664,791)	(66,160)	3,882	(727,069)
	<u>(681,014)</u>	<u>(66,160)</u>	<u>18,475</u>	<u>(728,699)</u>
Net Depreciable Capital Assets	<u>\$ 2,507,983</u>	<u>\$ (46,460)</u>	<u>\$ (19,525)</u>	<u>\$ 2,441,998</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Capital asset balances of individual proprietary funds as of September 30, 2014 were as follows:

	Water and Sewer	Municipal Airport	Solid Waste	Stormwater Utility	Nonmajor- Golf Fund	Totals
<u>Non-Depreciable Capital Assets:</u>						
Construction						
in Progress	\$ 94,994	\$ 1,898,462	\$ -	\$ 4,697,570	\$ -	\$ 6,691,026
Land & Land Rights	77,066	100,000	-	6,875,592	11,819	7,064,477
	<u>172,060</u>	<u>1,998,462</u>	<u>-</u>	<u>11,573,162</u>	<u>11,819</u>	<u>13,755,503</u>
<u>Depreciable Capital Assets:</u>						
Machinery & Equip.	2,740,771	331,442	5,986,735	852,463	171,520	10,082,931
Furniture & Fixtures	1,080	-	-	-	-	1,080
Office Mach. & Equip.	187,959	-	35,850	-	-	223,809
Buildings	527,933	868,060	1,141,261	-	61,708	2,598,962
Improvements	7,913,865	3,968,618	52,747	2,571,384	440,499	14,947,113
Plant In Service-Water	11,086,495	-	-	-	-	11,086,495
Plant In Service-Sewer	2,269,595	-	-	-	-	2,269,595
	<u>24,727,698</u>	<u>5,168,120</u>	<u>7,216,593</u>	<u>3,423,847</u>	<u>673,727</u>	<u>41,209,985</u>
<u>Less Accumulated Depreciation:</u>						
Machinery & Equip.	(1,623,212)	(274,235)	(4,113,451)	(328,770)	(139,445)	(6,479,113)
Furniture & Fixtures	(1,080)	-	-	-	-	(1,080)
Office Mach. & Equip.	(178,090)	-	(33,199)	-	-	(211,289)
Buildings	(527,934)	(526,947)	(705,817)	-	(61,708)	(1,822,406)
Improvements	(3,521,892)	(2,545,209)	(6,333)	(183,172)	(397,589)	(6,654,195)
Plant In Service-Water	(11,049,405)	-	-	-	-	(11,049,405)
Plant In Service-Sewer	(1,728,058)	-	-	-	-	(1,728,058)
	<u>(18,629,671)</u>	<u>(3,346,391)</u>	<u>(4,858,800)</u>	<u>(511,942)</u>	<u>(598,742)</u>	<u>(27,945,546)</u>
Net Depreciable Capital Assets	6,098,027	1,821,729	2,357,793	2,911,905	74,985	13,264,439
Net Capital Assets	<u>\$ 6,270,087</u>	<u>\$ 3,820,191</u>	<u>\$ 2,357,793</u>	<u>\$ 14,485,067</u>	<u>\$ 86,804</u>	<u>\$ 27,019,942</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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

Governmental Activities:	
General Government	\$ 327,057
Finance	3,329
Community Development	58,280
Public Safety	493,906
Public Works	642,518
	<u>\$ 1,525,090</u>
Discretely Presented Component Unit:	
Gainesville Economic Development Corp	<u>\$ 66,160</u>
Proprietary Funds:	
Water & Sewer	\$ 757,681
Airport	223,236
Solid Waste	333,479
Stormwater	81,872
Golf Course	29,923
	<u>\$ 1,426,191</u>

E. Accounts Payable

Accounts payable as of September 30, 2014, for the City's major funds and nonmajor funds in the aggregate are as follows:

	Governmental Funds					
	General Fund	Debt Service	Nonmajor Funds	Total		
Vendor Payables	\$ 789,247	\$ 538	\$ 93,388	\$ 883,173		
Court Costs Payable	1,121	-	1,367	2,488		
Funds Held for Others	68,926	-	-	68,926		
Accrued Payroll & Benefits	218,858	-	-	218,858		
	<u>\$ 1,078,152</u>	<u>\$ 538</u>	<u>\$ 94,755</u>	<u>\$ 1,173,445</u>		
	Proprietary Funds					
	Water and Sewer	Municipal Airport	Solid Waste	Stormwater Utility	Nonmajor-Golf Fund	Total
Vendor Payables	\$ 196,958	\$ 7,511	\$ 125,527	\$ 79,536	\$ 7,482	\$ 417,014
Accrued Comp. Absences	28,062	-	-	-	-	28,062
Postclosure Care Costs	-	-	11,454	-	-	11,454
Accrued Payroll & Benefits	43,346	4,883	36,235	2,960	8,423	95,847
Deposits Payable	204,470	-	2,995	75	-	207,540
Interest Payable	36,957	797	6,143	22,976	332	67,205
Sales Tax Payable	-	-	-	-	-	-
Totals	<u>\$ 509,793</u>	<u>\$ 13,191</u>	<u>\$ 182,354</u>	<u>\$ 105,547</u>	<u>\$ 16,237</u>	<u>\$ 827,122</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

F. Long-Term Debt

1. Governmental Activities Long-Term Debt

As of September 30, 2014, 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 2007	4.0-4.125%	2007	2026	6,639,539	4,899,820	429,109
Series 2008	4.00%	2008	2030	2,805,000	1,749,228	94,898
Series 2012	2.0-3.0%	2012	2025	2,422,557	1,817,946	357,831
Series 2014	0.33-2.31%	2014	2020	753,455	743,204	157,867
Series 2014	3.5-4.0%	2014	2034	4,765,000	4,765,000	170,000
Total General Obligation Bonds					<u>13,975,198</u>	<u>1,209,705</u>
Certificates of Obligation Bonds:						
Series 2010	1.25-4.4%	2010	2029	2,036,000	1,923,750	94,500
Series 2012	2.0-3.5%	2012	2032	3,020,000	2,795,000	125,000
Total Certificates of Obligation Bonds					<u>4,718,750</u>	<u>219,500</u>
Capital Leases						
Leasing 2	3.37%	2012	2014	93,682	-	-
Total Long-Term Debt - Governmental Activities					<u>\$ 18,693,948</u>	<u>\$ 1,429,205</u>

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

	Balance 10/1/2013	New Debt or Increases	Transfers/ Refunded	Payments or Decreases	Balance 9/30/2014
General Obligation Bonds:					
Series 2005	254,537	-	(215,494)	(39,043)	-
Series 2007	5,262,400	-	-	(362,580)	4,899,820
Series 2008	1,840,000	-	-	(90,772)	1,749,228
Series 2012	2,163,438	-	-	(345,492)	1,817,946
Series 2014	-	4,765,000	-	-	4,765,000
Series 2014 Ref	-	753,455	-	(10,251)	743,204
Total GO Bonds	<u>9,520,375</u>	<u>5,518,455</u>	<u>(215,494)</u>	<u>(848,139)</u>	<u>13,975,198</u>
Certificates of Obligation Bonds:					
Series 2002	55,000	-	-	(55,000)	-
Series 2008	576,096	-	(469,752)	(106,344)	-
Series 2010	4,480,000	-	(2,351,250)	(205,000)	1,923,750
Series 2012	2,920,000	-	-	(125,000)	2,795,000
Total CO Bonds	<u>8,031,096</u>	<u>-</u>	<u>(2,821,002)</u>	<u>(491,344)</u>	<u>4,718,750</u>
Capital Leases					
Leasing 2	31,918	-	-	(31,918)	-
Premium/Discount	<u>65,908</u>	<u>424,819</u>	<u>(8,131)</u>	<u>(22,453)</u>	<u>460,143</u>
Total Long Term Debt - Governmental Activities	<u>\$ 17,649,297</u>	<u>\$ 5,943,274</u>	<u>\$ (3,044,626)</u>	<u>\$ (1,393,854)</u>	<u>\$ 19,154,091</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	1,209,705	466,703	1,676,408	219,500	136,510	356,014	1,429,205	603,213	2,032,418
2016	1,220,144	440,600	1,660,744	226,750	132,047	358,802	1,446,894	572,647	2,019,541
2017	1,258,341	403,664	1,662,005	229,000	126,995	356,001	1,487,341	530,659	2,018,000
2018	1,253,659	362,793	1,616,452	236,250	121,341	357,598	1,489,909	484,134	1,974,043
2019	1,011,359	322,291	1,333,650	240,750	115,536	356,294	1,252,109	437,827	1,689,936
2020	1,046,468	284,263	1,330,731	248,000	109,230	357,239	1,294,468	393,493	1,687,961
2021	931,832	247,207	1,179,039	252,500	102,773	355,283	1,184,332	349,980	1,534,312
2022	960,916	211,406	1,172,322	259,750	96,514	356,275	1,220,666	307,920	1,528,586
2023	622,442	181,198	803,640	269,250	88,929	358,191	891,692	270,127	1,161,819
2024	650,183	156,642	806,825	278,750	79,327	358,090	928,933	235,969	1,164,902
2025	565,300	132,687	697,987	288,250	69,575	357,839	853,550	202,262	1,055,812
2026	591,469	109,319	700,788	297,750	60,293	358,058	889,219	169,612	1,058,831
2027	412,662	89,115	501,777	307,250	50,492	357,758	719,912	139,607	859,519
2028	430,718	72,918	503,636	314,000	40,193	354,210	744,718	113,111	857,829
2029	275,000	60,163	335,163	325,750	29,335	355,103	600,750	89,498	690,248
2030	285,000	50,362	335,362	340,250	17,815	358,065	625,250	68,177	693,427
2031	295,000	40,213	335,213	190,000	8,990	198,990	485,000	49,203	534,203
2032	305,000	29,712	334,712	195,000	3,022	198,022	500,000	32,734	532,734
2033	320,000	18,375	338,375	-	-	-	320,000	18,375	338,375
2034	330,000	6,187	336,187	-	-	-	330,000	6,187	336,187
	<u>\$ 13,975,198</u>	<u>\$ 3,685,818</u>	<u>\$ 17,661,016</u>	<u>\$ 4,718,750</u>	<u>\$ 1,388,917</u>	<u>\$ 6,107,832</u>	<u>\$ 18,693,948</u>	<u>\$ 5,074,735</u>	<u>\$ 23,768,683</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

2. Business-Type Activities Long-Term Debt

As of September 30, 2014, 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 2010	1.25-4.4%	2010	2029	1,111,500	1,111,500	54,600
Series 2013	4%-2.75%	2013	2033	5,730,000	5,580,000	215,000
General Obligation Bonds:						
Series 2007	4.0-4.125%	2007	2026	965,362	712,414	62,391
Series 2008	4.00%	2008	2030	12,000	11,406	621
Series 2014	0.33-2.31%	2014	2020	1,888,818	1,863,120	395,752
Capital Lease:						
Community Leasing	1.50%	2014	2016	122,980	122,980	61,032
					<u>9,401,420</u>	<u>728,364</u>
<u>Municipal Airport</u>						
Certificates of Obligation Bonds:						
Series 1995	4.1-6.35%	1995	2015	115,000	10,000	10,000
General Obligation Bonds:						
Series 2007	4.0-4.125%	2007	2026	160,450	118,408	10,370
Series 2014	0.33-2.31%	2014	2020	100,176	98,813	20,989
					<u>227,221</u>	<u>41,359</u>
<u>Solid Waste Utility</u>						
General Obligation Bonds:						
Series 2007	4.0-4.125%	2007	2026	1,352,678	915,144	87,423
Series 2014	0.33-2.31%	2014	2020	1,194,790	998,245	194,389
					<u>1,913,389</u>	<u>281,812</u>
<u>Stormwater Utility</u>						
Certificates of Obligation Bonds:						
Series 2010	1.25-4.4%	2010	2029	1,239,750	1,239,750	60,900
General Obligation Bonds:						
Series 2007	4.0-4.125%	2007	2026	774,843	571,814	50,078
Series 2008	4.00%	2008	2030	2,608,000	2,479,366	134,481
Series 2012	2.0-3.0%	2012	2025	522,443	392,054	77,169
Capital Lease:						
Community Leasing	3.41%	2013	2015	142,783	72,902	72,902
					<u>4,755,886</u>	<u>395,530</u>
<u>Municipal Golf Course</u>						
General Obligation Bonds:						
Series 2007	4.0-4.125%	2007	2026	87,127	64,298	5,631
Series 2014	0.33-2.31%	2014	2020	4,784	4,718	1,002
					<u>69,016</u>	<u>6,633</u>
Total Bonds - Proprietary Funds Activities					<u>\$ 16,366,932</u>	<u>\$ 1,453,698</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

The changes in long-term debt for proprietary funds are summarized as follows:

	Balance 10/1/2013	New Debt or Increases	Transfers/ Refunded	Payments or Decreases	Balance 9/30/2014
Water and Sewer Utility					
Certificates of Obligation Bonds:					
Series 2008	230,518	-	(187,966)	(42,552)	-
Series 2010	-	-	1,111,500	-	1,111,500
Series 2013	5,730,000	-	-	(150,000)	5,580,000
General Obligation Bonds:					
Series 2005	2,071,668	-	(1,753,898)	(317,770)	-
Series 2007	765,132	-	-	(52,718)	712,414
Series 2008	12,000	-	-	(594)	11,406
Series 2014	-	1,888,818	-	(25,698)	1,863,120
Capital Leases					
Community Leasing	-	122,980	-	-	122,980
Discount/Premium	371,723	-	(10,412)	(18,621)	342,690
	<u>9,181,041</u>	<u>2,011,798</u>	<u>(840,776)</u>	<u>(607,953)</u>	<u>9,744,110</u>
Municipal Airport					
Certificates of Obligation Bonds:					
Series 1995	20,000	-	-	(10,000)	10,000
General Obligation Bonds:					
Series 2005	124,315	-	(105,246)	(19,069)	-
Series 2007	127,170	-	-	(8,762)	118,408
Series 2014	-	100,176	-	(1,363)	98,813
Discount/Premium	294	-	-	(24)	270
	<u>271,779</u>	<u>100,176</u>	<u>(105,246)</u>	<u>(39,218)</u>	<u>227,491</u>
Solid Waste Utility					
Certificates of Obligation Bonds:					
Series 2008	493,386	-	(402,282)	(91,104)	-
General Obligation Bonds:					
Series 2005	568,545	-	(481,337)	(87,208)	-
Series 2007	1,072,113	-	-	(73,868)	998,245
Series 2014	-	927,767	-	(12,623)	915,144
Tax Note					
Series 2009	105,000	-	-	(105,000)	-
Discount/Premium	9,764	-	(7,288)	(200)	2,276
	<u>2,248,808</u>	<u>927,767</u>	<u>(890,907)</u>	<u>(370,003)</u>	<u>1,915,665</u>
Stormwater Utility					
General Obligation Bonds:					
Series 2007	614,128	-	-	(42,314)	571,814
Series 2008	2,608,000	-	-	(128,634)	2,479,366
Series 2010	-	-	1,239,750	-	1,239,750
Series 2012	466,562	-	-	(74,508)	392,054
Capital Leases					
Leasing 2	103,660	-	-	(103,660)	-
Community Leasing	142,783	-	-	(69,881)	72,902
Discount/Premium	19,249	-	(7,487)	(1,158)	10,604
	<u>3,954,382</u>	<u>-</u>	<u>1,232,263</u>	<u>(420,155)</u>	<u>4,766,490</u>
Municipal Golf Course					
General Obligation Bonds:					
Series 2005	5,937	-	(5,026)	(911)	-
Series 2007	69,056	-	-	(4,758)	64,298
Series 2014	-	4,784	-	(66)	4,718
Discount/Premium	160	-	-	(11)	149
	<u>75,153</u>	<u>4,784</u>	<u>(5,026)</u>	<u>(5,746)</u>	<u>69,165</u>
Totals	<u>\$ 15,731,163</u>	<u>\$ 3,044,525</u>	<u>\$ (609,692)</u>	<u>\$ (1,443,075)</u>	<u>\$ 16,722,921</u>

City of Gainesville, Texas
Notes to Basic Financial Statements
September 30, 2014

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			Capital Lease			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	269,600	214,810	484,410	458,764	44,487	503,251	61,032	1,845	62,877	789,396	261,142	1,050,538
2016	280,900	207,105	488,005	456,222	40,271	496,493	61,948	929	62,877	799,070	248,305	1,047,375
2017	287,200	198,863	486,063	459,149	34,979	494,128	-	-	-	746,349	233,842	980,191
2018	293,500	190,153	483,653	494,816	27,521	522,337	-	-	-	788,316	217,674	1,005,990
2019	306,100	181,158	487,258	225,892	20,191	246,083	-	-	-	531,992	201,349	733,341
2020	312,400	170,631	483,031	231,391	13,938	245,329	-	-	-	543,791	184,569	728,360
2021	325,000	158,520	483,520	73,828	9,071	82,899	-	-	-	398,828	167,591	566,419
2022	341,300	145,850	487,150	76,757	6,060	82,817	-	-	-	418,057	151,910	569,967
2023	353,900	132,623	486,523	25,517	4,002	29,519	-	-	-	379,417	136,625	516,042
2024	366,500	120,403	486,903	26,041	2,945	28,986	-	-	-	392,541	123,348	515,889
2025	374,100	109,309	483,409	27,532	1,844	29,376	-	-	-	401,632	111,153	512,785
2026	386,700	97,906	484,606	29,023	679	29,702	-	-	-	415,723	98,585	514,308
2027	399,300	86,123	485,423	999	62	1,061	-	-	-	400,299	86,185	486,484
2028	413,200	73,936	487,136	1,009	24	1,033	-	-	-	414,209	73,960	488,169
2029	422,100	61,386	483,486	-	-	-	-	-	-	422,100	61,386	483,486
2030	439,700	47,119	486,819	-	-	-	-	-	-	439,700	47,119	486,819
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
	\$ 6,691,500	\$ 2,255,571	\$ 8,947,071	\$ 2,586,940	\$ 206,074	\$ 2,793,014	\$ 122,980	\$ 2,774	\$ 125,754	\$ 9,401,420	\$ 2,464,419	\$ 11,865,839

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Solid Waste Utility

Solid Waste long-term debt consists of 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,	General Obligation Bonds			Totals		
	Principal	Interest	Total	Principal	Interest	Total
2015	281,812	46,538	328,350	281,812	46,538	328,350
2016	280,550	42,208	322,758	280,550	42,208	322,758
2017	284,616	37,297	321,913	284,616	37,297	321,913
2018	336,892	30,575	367,467	336,892	30,575	367,467
2019	184,540	23,627	208,167	184,540	23,627	208,167
2020	189,868	17,560	207,428	189,868	17,560	207,428
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>\$ 1,913,389</u>	<u>\$ 230,671</u>	<u>\$ 2,144,060</u>	<u>\$ 1,913,389</u>	<u>\$ 230,671</u>	<u>\$ 2,144,060</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			Certificates of Obligation			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	261,728	125,973	387,701	72,902	2,165	75,067	60,900	41,615	102,515	395,530	169,753	565,283
2016	270,236	116,902	387,138	-	-	-	62,350	40,383	102,733	332,586	157,285	489,871
2017	279,299	107,518	386,817	-	-	-	63,800	38,803	102,603	343,099	146,321	489,420
2018	256,384	97,823	354,207	-	-	-	65,250	36,867	102,117	321,634	134,690	456,324
2019	244,374	88,234	332,608	-	-	-	68,150	34,865	103,015	312,524	123,099	435,623
2020	252,550	78,722	331,272	-	-	-	69,600	32,800	102,400	322,150	111,522	433,672
2021	253,279	69,040	322,319	-	-	-	72,500	30,667	103,167	325,779	99,707	425,486
2022	261,457	59,188	320,645	-	-	-	73,950	28,471	102,421	335,407	87,659	423,066
2023	226,154	49,759	275,913	-	-	-	76,850	26,209	103,059	303,004	75,968	378,972
2024	237,086	40,706	277,792	-	-	-	79,750	23,461	103,211	316,836	64,167	381,003
2025	223,073	31,598	254,671	-	-	-	82,650	20,213	102,863	305,723	51,811	357,534
2026	233,005	22,447	255,452	-	-	-	85,550	16,849	102,399	318,555	39,296	357,851
2027	216,339	13,448	229,787	-	-	-	88,450	13,369	101,819	304,789	26,817	331,606
2028	228,270	4,561	232,831	-	-	-	92,800	9,744	102,544	321,070	14,305	335,375
2029	-	-	-	-	-	-	97,150	5,945	103,095	97,150	5,945	103,095
2030	-	-	-	-	-	-	100,050	2,001	102,051	100,050	2,001	102,051
2031	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 3,443,234</u>	<u>\$ 905,919</u>	<u>\$ 4,349,153</u>	<u>\$ 72,902</u>	<u>\$ 2,165</u>	<u>\$ 75,067</u>	<u>\$ 1,239,750</u>	<u>\$ 402,262</u>	<u>\$ 1,642,012</u>	<u>\$ 4,755,886</u>	<u>\$ 1,310,346</u>	<u>\$ 6,066,232</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 Sep. 30,	General Obligation Bonds		
	Principal	Interest	Total
2015	6,633	2,512	9,145
2016	6,627	2,283	8,910
2017	6,889	2,045	8,934
2018	10,330	1,730	12,060
2019	7,697	1,387	9,084
2020	7,966	1,081	9,047
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>\$ 69,016</u>	<u>\$ 13,155</u>	<u>\$ 82,171</u>

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3. Component Unit Long-Term Debt

As of September 30, 2014, the component unit had the following long-term debt:

	Interest Rate	Year of Issue	Year of Maturity	Original Amount	Amount Outstanding	Due Within One Year
Limited Sales and Use Tax Bond Series 2014	2.95-15.0%	2014	2024	2,500,000	2,500,000	217,783
	Balance 10/1/2013	Increase	Decrease	Balance 9/30/2014		
Notes Payable	\$ -	2,500,000	-	\$2,500,000		

4. Defeased Debt

On February 20, 2014, the City issued 2014 General Obligation Refunding Bonds in the amount of \$3,675,000, with interest rates of 2.310%-.33% to refund the 2005 General Obligation Refunding Bonds in the amount of \$1,060,000 and the 2008 General Obligation Bonds in the amount of \$2,561,000. The reacquisition price exceeds the net carrying amount of the old debt by \$50,853. This amount will be amortized over the remaining life of the new debt issued. The refunding was undertaken to reduce total debt service payments by \$238,938 and resulted in a net present value savings of \$226,075.

As of September 30, 2014, the following defeased bonds remain outstanding:

	Amount
Series 1998 CO	\$ 2,460,000
Series 1998 GO	1,025,000
Series 1999 CO	620,000
Series 2000 CO	755,000
Series 2001 CO	2,850,000
Series 2002 CO	590,000
Series 2002 GO	3,105,000
Series 2003 CO	1,230,000
Series 2005 GO	2,561,000
Series 2008 GO	1,060,000

5. 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, 2014 was \$635,936 of which \$11,453 is considered as a current liability. The change in the postclosure care costs liability for the fiscal year ended September 30, 2014 was an increase of \$9,228.

G. Compensated Absences

The activity related to compensated absences is as follows:

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	Compensated Absences 10/1/2013	Earned	Used	Compensated Absences 9/30/2014	Current Portion
Governmental Funds	\$ 760,131	\$ 134,725	\$ 276,573	\$ 618,283	\$ 375,000
Proprietary Funds:					
Water & Sewer	67,794	18,292	29,962	56,124	28,062
Airport Fund	2,589	1,965	-	4,554	2,277
Stormwater Utility	4,408	687	1,501	3,594	1,797
Solid Waste	53,875	706	15,330	39,251	19,626
Golf Course	12,592	1,007	7,092	6,507	3,253
	<u>\$ 901,389</u>	<u>\$ 157,382</u>	<u>\$ 330,458</u>	<u>\$ 728,313</u>	<u>\$ 430,015</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.

H. Fund Equity and Net position

1. Fund Balance

Fund balances are classified as Nonspendable, Restricted Committed, Assigned and Unassigned.

General Fund

The General Fund has Unassigned Fund Balance of \$7,407,227 at September 30, 2014.

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 2014 GO Bond fund is classified as restricted for construction. A portion of this fund balance is unspent bond proceeds. The Assigned Projects Fund 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, Municipal Court Security, Juvenile Case Manager, 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, G.I.V.E, Street Utility Maintenance and Construction Project Fund are classified as Assigned.

2. Net Position: Net Investment in Capital Assets

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.

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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 investment in capital assets 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 2014, 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.

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, 2014, the City paid \$1,022,760 to GTUA in accordance with these contracts.

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The audited financial statements of the year ended September 30, 2014, for GTUA, issued by the GTUA's independent auditors, reflected total assets for the City projects as \$12,168,623, deferred outflows of resources of \$150,781, liabilities of \$10,086,704, and total net position of \$2,232,700. Additionally, total revenues and expenses for the City's projects were \$1,194,496 and \$489,320, respectively. Revenues, as reported, included investment income of \$3,337.

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, 2014, was \$635,000.

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 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, 2014 was \$3,985,000.

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, 2014 was \$1,955,000.

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, 2014 was \$1,090,000.

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, 2014 was \$1,465,000.

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
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	550,000	143,937	693,937
2020-2024	2,685,000	575,881	3,260,881
2025-2029	2,225,000	326,158	2,551,158
2030-2033	1,535,000	61,142	1,596,142
	<u>\$ 9,130,000</u>	<u>\$ 1,763,453</u>	<u>\$10,893,453</u>

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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, 2014, 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, 2014, 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:

Fiscal Years Ending September 30,	Principal	Interest	Amount
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	220,320	62,198	282,518
2020-2024	1,188,000	259,602	1,447,602
2025-2029	1,344,600	130,284	1,474,884
2030	255,960	6,348	262,308
	<u>\$ 3,838,320</u>	<u>\$ 722,854</u>	<u>\$ 4,561,174</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. Commitments

1. 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	Golf Course Water Rights	\$ 21,000	\$ 11,819	\$ 9,181
Kimley Horn	Waste Water Treatment Plant	1,567,000	472,600	1,094,400
Kimley Horn	Sump Pkg D, F, G	340,008	308,683	31,325
Kimley Horn	Sump Pkg H	571,500	-	571,500
Lynn Vessels	Sump Pkg D, E, F, G	3,459,044	1,411,933	2,047,111

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2. GEDC Commitments

GEDC entered into incentive agreements with various companies in Gainesville to promote economic development. Under these agreements, the GEDC has agreed to pay amounts to individual companies if the companies meet certain requirements by a specified date. Commitments are as follows:

Vendor	Project	Contract	Expended to Date	Balance of Commitment
Gainesville State School	Relocation	\$ 58,000	\$ 55,000	\$ 3,000
Alan Ritchey, Inc.	Employee Based Grants	125,000	50,000	75,000
IFS Industries	Employee Based Grants	125,000	122,750	2,250
Select Energy Services	Employee Based Grants	1,000,000	750,000	250,000
Industrial Park	Construction	1,500,000	135,777	1,364,223
Cooke County Fair Association	Construction	42,874	-	42,874

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	Amount
2015	24,390
2016	20,580
2017	14,863
2018	-
Total	<u>\$ 59,833</u>

F. 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

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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 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 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, 2014, was \$16,730,000. 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.

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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 2012	Plan Year 2013	Plan Year 2014
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	100% Repeating	100% Repeating
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating	70% of CPI Repeating

Contributions – Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). 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 for an employee is the contribution rate which, if applied to a member’s compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS 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 (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

The annual pension cost and net pension obligation/(asset) are as follows:

	9/30/2012	9/30/2013	9/30/2014
Annual Required Contribution (ARC)	\$ 989,348	\$ 1,063,943	\$ 1,122,945
Contributions Made	\$ 989,348	\$ 1,063,943	\$ 1,122,945

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012 also follows:

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

<u>Valuation Date</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	26.1 years; closed period	25.1 years; closed period	21.0 years; closed period
Amortization Period for new Gaines/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
<u>Actuarial Assumptions:</u>			
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 – In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	<u>12/31/2013</u>
Actuarial Value of assets	\$29,771,808
Actuarial Accrued Liability (AAL)	37,491,367
Funded Ratio	79.4%
Unfunded Actuarial Accrued Liability (UAAL)	7,719,559
Covered Payroll	9,994,921
UAAL as a Percentage of Covered Payroll	77.2%

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.

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

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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 employees' entire careers.

Schedule of Contribution Rates:

Calendar Year	Annual Required Contribution	Actual Contribution Made	Percentage of ARC Contributed
2011	0.06%	0.06%	100%
2012	0.05%	0.05%	100%
2013	0.05%	0.05%	100%
2014	0.06%	0.06%	100%
2015	0.07%	0.07%	100%

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

Year	City Contribution
2012	\$ 4,714
2013	4,997
2014	6,298

2. Texas Emergency Services Retirement System (TESRS)

Plan Description – The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. Of the nine member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2014, there were 198 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

On August 31, 2014, the pension system membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,073
Terminated Members Entitled to Benefits but Not Yet Receiving Them	2,161
Active Participants (Vested and Nonvested)	4,036

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

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

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

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

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

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2014, the Part Two contribution rate was 0%, since the first actuarial valuation report after adoption of the rules showed the System to have an adequate contribution arrangement without any Part Two contributions.

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

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

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

Contributions Required And Contributions Made – The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2014, total contributions (dues, prior service, and interest on prior service financing) of \$4,176,659 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,530,343 for the fiscal year ending August 31, 2014.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed in subsection D below.

The actuarial valuation as of August 31, 2014 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$625,000 each year to pay for part of the System's administrative expenses. On August 31, 2014 the actuarial liabilities exceeded the actuarial assets by \$26,093,761.

The City's contribution for 2014, 2013 and 2012 was \$1,080, \$720 and \$681 respectively.

Actuarial Assumptions – The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	N/A
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2018 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.50%). In addition, the final 7.75% assumption reflected a reduction of 0.20% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large cap domestic	32%	5.2%
Small cap domestic	10	5.8
Developed international	21	5.5
Emerging markets	6	5.4
Master limited partnership	5	7.1
Fixed income		
Domestic	21	1.4
International	5	1.6
Cash	0	0.0
Total	100%	

J. Subsequent Events

The City's management has evaluated subsequent events through February 13, 2015, the date which the financial statements were available for issue.



Required Supplemental Information

CITY OF GAINESVILLE, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

REVENUES:	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Ad Valorem Taxes	\$ 4,114,778	\$ 4,114,778	\$ 4,289,954	\$ 175,176
Sales Taxes	5,011,000	5,011,000	6,622,880	1,611,880
Franchise Fees	1,304,476	1,304,476	1,314,767	10,291
Mixed Beverage Tax	31,186	31,186	37,416	6,230
Service Charges	809,608	847,108	1,066,065	218,957
License & Permits	154,770	154,770	243,778	89,008
Fines & Forfeitures	419,650	419,650	363,193	(56,457)
Investment Income	8,000	8,000	2,059	(5,941)
Intergovernmental Revenues	-	-	67,191	67,191
Donations	-	-	733,000	733,000
Other Income	150,562	130,762	230,692	99,930
TOTAL REVENUES	12,004,030	12,021,730	14,970,995	2,949,265
EXPENDITURES:				
Current				
General Government				
Administration	583,900	591,050	600,557	(9,507)
Human Resources	165,222	165,222	162,085	3,137
Main Street Operations	42,688	41,019	33,079	7,940
Building Operations	112,836	111,936	106,169	5,767
Public Assistance Programs	93,740	93,740	93,740	-
Municipal Court	332,042	360,598	323,490	37,108
Civic Center Operations	171,186	167,686	156,390	11,296
Total General Government	1,501,614	1,531,251	1,475,510	55,741
Community Development				
Planning and Zoning	149,133	141,113	129,238	11,875
Inspections	332,680	332,680	311,195	21,485
Total Community Development	481,813	473,793	440,433	33,360
Finance				
Finance	430,987	430,987	418,602	12,385
Public Safety				
Police	4,561,237	4,546,026	4,282,693	263,333
Emergency Management	28,655	26,155	25,873	282
Fire	3,412,069	3,412,969	3,523,834	(110,865)
Total Public Safety	8,001,961	7,985,150	7,832,400	152,750
Public Works				
Administration	69,598	125,010	78,626	46,384
Street Maintenance	920,126	894,845	796,006	98,839
Central Garage	217,606	206,270	175,581	30,689
Parks and Recreation Operations	840,835	773,873	715,679	58,194
Zoo Operations	1,030,643	1,030,643	1,074,061	(43,418)
Cemetery Operations	251,214	257,394	250,904	6,490
Total Public Works	3,330,022	3,288,035	3,090,857	197,178

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, 2014
(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	770,803	407,657	1,225,882	(818,225)
TOTAL EXPENDITURES	<u>14,517,200</u>	<u>14,116,873</u>	<u>14,483,684</u>	<u>(366,811)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,513,170)</u>	<u>(2,095,143)</u>	<u>487,311</u>	<u>2,582,454</u>
OTHER FINANCING SOURCES (USES):				
Issuance of Debt	-	-	-	-
Funds Transferred In	2,757,893	2,722,893	2,736,860	13,967
Funds Transferred Out	(156,000)	(504,981)	(3,033,135)	(2,528,154)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,601,893</u>	<u>2,217,912</u>	<u>(296,275)</u>	<u>(2,514,187)</u>
NET CHANGE IN FUND BALANCES	<u>88,723</u>	<u>122,769</u>	<u>191,036</u>	<u>68,267</u>
FUND BALANCE - October 1	<u>7,217,169</u>	<u>7,217,169</u>	<u>7,217,169</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 7,305,892</u>	<u>\$ 7,339,938</u>	<u>\$ 7,408,205</u>	<u>\$ 68,267</u>

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

CITY OF GAINESVILLE, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION
(UNAUDITED)
SEPTEMBER 30, 2014

TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2011	\$25,734,636	\$32,461,026	79.3%	\$ 6,726,390	\$ 9,758,202	68.9%
12/31/2012	27,865,558	34,026,063	81.9%	6,160,505	9,428,826	65.3%
12/31/2013	29,771,808	37,491,367	79.4%	7,719,559	9,994,921	77.2%

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability¹ (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Total Members Covered	UAAL Per Member Covered
8/31/2010 ³	\$64,113,803	\$81,264,230	78.9%	\$17,150,427	\$ 8,644	\$ 1,984
8/31/2012 ²	67,987,487	101,856,042	66.7%	33,868,555	9,448	3,585
8/31/2014	83,761,038	109,854,799	76.2%	26,093,761	9,270	2,815

- ¹ The actuarial accrued liability is based upon the entry age actuarial cost method.
² Changes in actuarial assumptions were reflected in this valuation.
³ Changes in an actuarial assumption and method were reflected in this valuation.

Notes to Required Supplementary Information

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 are as follows:

<u>Valuation Date</u>	<u>8/31/2014</u>
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar, Open
Amortization Period	30 years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value
<u>Actuarial Assumptions:</u>	
Investment Rate of Return*	7.75% per year, net of investment expenses
Projected Salary Increases	N/A
*Includes Inflation At	3.50%
Cost-of-Living Adjustments	None



Combining Financial Statements

CITY OF GAINESVILLE, TEXAS
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

REVENUE FUNDS

	MUNICIPAL COURT TECHNOLOGY	MUNICIPAL COURT SECURITY	HOTEL/MOTEL	LAW ENFORCEMENT EDUCATION	G.I.V.E.	JUVENILE CASE MANAGER	MEDAL OF HONOR	CITY ATHLETIC FIELDS	STANFORD HOUSE	CABLE PEG FEE FUND
ASSETS:										
Cash	\$ 8,269	\$ 1,384	\$ 743,172	\$ -	\$ 1,847	\$ 4,397	\$ -	\$ 30,461	\$ 130,334	\$ 94,798
Investments	-	-	-	-	-	-	-	-	113,924	-
Receivables (Net of Allowances for Uncollectibles)	-	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-	-	-
Other	-	-	52,377	-	-	-	-	-	-	7,733
Inventory	-	-	-	-	-	-	-	-	-	-
Interfund Receivables	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 8,269	\$ 1,384	\$ 795,549	\$ -	\$ 1,847	\$ 4,397	\$ -	\$ 30,461	\$ 244,258	\$ 102,531
LIABILITIES AND FUND BALANCES										
LIABILITIES:										
Accounts Payable	\$ -	\$ -	\$ 6,125	\$ -	\$ 1,600	\$ 1,367	\$ -	\$ -	\$ 4,430	\$ -
Interfund Payable	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	\$ -	\$ -	\$ 6,125	\$ -	\$ 1,600	\$ 1,367	\$ -	\$ -	\$ 4,430	\$ -
UND BALANCES:										
Unspendable	-	-	-	-	-	-	-	-	-	-
Restricted:	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-	-	-
Tourism and the Arts	-	-	789,424	-	-	-	-	-	-	-
Other	8,269	1,384	-	-	-	3,030	-	-	-	102,531
Committed:	-	-	-	-	-	-	-	-	-	-
Cemetery	-	-	-	-	-	-	-	-	-	-
Assigned:	-	-	-	-	-	-	-	-	239,828	-
Stanford House	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	247	-	-	30,461	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	\$ 8,269	\$ 1,384	\$ 789,424	\$ -	\$ 247	\$ 3,030	\$ -	\$ 30,461	\$ 239,828	\$ 102,531
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,269	\$ 1,384	\$ 795,549	\$ -	\$ 1,847	\$ 4,397	\$ -	\$ 30,461	\$ 244,258	\$ 102,531

CITY OF GAINESVILLE, TEXAS
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS			FUNDS			PERMANENT FUNDS		
	FEDERAL SEIZURE FUND	STATE SEIZURE FUND	2008 GENERAL OBLIG BONDS	SWIMMING POOL CONSTRUCTION	CONSTRUCTION PROJECTS FUND	STREET UTILITY MAINTENANCE	CEMETERY PERMANENT	COHEN SCHOLARSHIP	TOTAL			
ASSETS:												
Cash	2,963	37,161	-	-	461,233	2,097,499	1,409,953	10,686	5,034,157			
Investments	-	-	-	-	-	-	-	-	113,924			
Receivables (Net of Allowances for Uncollectibles)	-	-	-	-	-	-	-	-	-			
Taxes	-	-	-	-	-	-	-	-	-			
Other	-	-	-	-	-	-	-	-	60,110			
Inventory	-	-	-	-	-	-	-	-	-			
Interfund Receivables	-	-	-	-	-	-	-	-	-			
TOTAL ASSETS	\$ 2,963	\$ 37,161	\$ -	\$ -	\$ 461,233	\$ 2,097,499	\$ 1,409,953	\$ 10,686	\$ 5,208,191			
LIABILITIES AND FUND BALANCES												
LIABILITIES:												
Accounts Payable	-	136	-	-	-	81,097	-	-	94,755			
Interfund Payable	-	-	-	-	-	-	-	-	-			
TOTAL LIABILITIES	-	136	-	-	-	81,097	-	-	94,755			
FUND BALANCES:												
Nonspendable												
Restricted:												
Construction	-	-	-	-	-	-	-	-	-			
Tourism and the Arts	-	-	-	-	-	-	-	-	789,424			
Other	2,963	37,025	-	-	-	-	-	10,686	165,888			
Committed:												
Cemetery	-	-	-	-	-	-	1,409,953	-	1,409,953			
Assigned:												
Stanford House	-	-	-	-	-	-	-	-	239,828			
Construction	-	-	-	-	461,233	2,016,402	-	-	2,477,635			
Other	-	-	-	-	-	-	-	-	30,708			
Unassigned												
TOTAL FUND BALANCES	2,963	37,025	-	-	461,233	2,016,402	1,409,953	10,686	5,113,436			
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,963	\$ 37,161	\$ -	\$ -	\$ 461,233	\$ 2,097,499	\$ 1,409,953	\$ 10,686	\$ 5,208,191			

CITY OF GAINESVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

REVENUES	MUNICIPAL COURT TECH.	MUNICIPAL COURT SECURITY	HOTEL/MOTEL	LAW ENFORCEMENT EDUCATION	G.I.V.E.	JUVENILE CASE MANAGER	MEDAL OF HONOR	CITY ATHLETIC FIELDS	STANFORD HOUSE	CABLE PEG FEE FUND
Taxes:										
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-	-	-
Occupancy Tax	-	-	649,982	-	-	-	-	-	-	-
Service Charges	-	-	-	-	-	-	21,825	3,890	-	-
License & Permits	-	-	-	-	-	-	-	-	-	31,443
Fines & Forfeitures	10,796	6,766	-	-	-	13,606	-	48	-	-
Investment Income	15	9	1,126	2	-	15	41	-	3,653	163
Intergovernmental Revenues	-	-	-	3,224	-	-	-	-	-	-
Other Income	-	-	-	-	1,924	-	52,728	-	100,027	-
TOTAL REVENUES	10,811	6,775	651,108	3,226	1,924	13,621	52,769	21,873	107,570	31,606
EXPENDITURES										
Current:										
General Government	-	-	212,341	-	1,677	-	52,769	-	74,171	-
Community Development	-	-	-	-	-	-	-	-	-	-
Finance	-	-	-	-	-	-	-	-	-	-
Public Safety	6,179	391	-	3,226	-	591	-	-	-	-
Public Works	-	-	-	-	-	-	-	14,978	-	-
Debt Service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	28,635	-	-	-	-	-	-	15,899
TOTAL EXPENDITURES	6,179	391	240,976	3,226	1,677	591	52,769	14,978	74,171	15,899
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,632	6,384	410,132	-	247	13,030	-	6,895	33,399	15,707
OTHER FINANCING SOURCES (USES):										
Issuance of Debt	-	-	-	-	-	-	-	-	-	-
Funds Transferred In	-	-	-	-	-	-	-	-	-	-
Funds Transferred Out	-	(5,000)	(389,369)	-	-	(10,000)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(5,000)	(389,369)	-	-	(10,000)	-	-	-	-
NET CHANGE IN FUND BALANCES	4,632	1,384	20,763	-	247	3,030	-	6,895	33,399	15,707
FUND BALANCE - October 1	3,637	-	768,661	-	-	-	-	23,566	206,429	86,824
FUND BALANCE - September 30	\$ 8,269	\$ 1,384	\$ 789,424	\$ -	\$ 247	\$ 3,030	\$ -	\$ 30,461	\$ 239,828	\$ 102,531

CITY OF GAINESVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

REVENUES	SPECIAL REVENUE FUNDS				CONSTRUCTION PROJECTS				FUNDS				PERMANENT FUNDS					
	FEDERAL SEIZURE FUND	STATE SEIZURE FUND	2008 GENERAL OBLIG BONDS	SWIMMING POOL CONSTRUCTION	CONSTRUCTION PROJECTS FUND	STREET UTILITY MAINTENANCE	CEMETERY PERMANENT	COHEN SCHOLARSHIP	TOTAL	FEDERAL SEIZURE FUND	STATE SEIZURE FUND	2008 GENERAL OBLIG BONDS	SWIMMING POOL CONSTRUCTION	CONSTRUCTION PROJECTS FUND	STREET UTILITY MAINTENANCE	CEMETERY PERMANENT	COHEN SCHOLARSHIP	TOTAL
Taxes:																		
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	649,982
Occupancy Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,715
Service Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,443
License & Permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,168
Fines & Forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,664
Investment Income	7	60	30	16	90	1,785	601	3	193,603									
Intergovernmental Revenues	-	40,498	190,379	-	-	-	38,285	-	233,462									
Other Income	-	40,558	190,409	16	90	1,785	38,886	3	1,173,037									
TOTAL REVENUES	7	40,558	190,409	16	90	1,785	38,886	3	1,173,037									

EXPENDITURES	SPECIAL REVENUE FUNDS				CONSTRUCTION PROJECTS				FUNDS				PERMANENT FUNDS					
	FEDERAL SEIZURE FUND	STATE SEIZURE FUND	2008 GENERAL OBLIG BONDS	SWIMMING POOL CONSTRUCTION	CONSTRUCTION PROJECTS FUND	STREET UTILITY MAINTENANCE	CEMETERY PERMANENT	COHEN SCHOLARSHIP	TOTAL	FEDERAL SEIZURE FUND	STATE SEIZURE FUND	2008 GENERAL OBLIG BONDS	SWIMMING POOL CONSTRUCTION	CONSTRUCTION PROJECTS FUND	STREET UTILITY MAINTENANCE	CEMETERY PERMANENT	COHEN SCHOLARSHIP	TOTAL
Current:																		
General Government	-	-	22	-	-	237	-	500	341,717									
Community Development	-	-	-	-	-	-	-	-	-									
Finance	-	-	-	-	-	-	-	-	-									
Public Safety	-	5,596	-	-	333	-	-	-	16,316									
Public Works	-	-	-	-	-	-	-	-	14,978									
Debt Service:																		
Principal	-	-	-	-	-	-	-	-	-									
Interest	-	-	-	-	-	-	-	-	-									
Bond Issuance Costs	-	-	-	-	-	-	-	-	-									
Capital Outlay	-	-	775	7,378	28,301	1,792,586	-	-	1,873,574									
	-	5,596	797	7,378	28,634	1,792,823	-	500	2,246,585									
TOTAL EXPENDITURES	-	5,596	797	7,378	28,634	1,792,823	-	500	2,246,585									

EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7	34,962	189,612	(7,362)	(28,544)	(1,791,038)	38,886	(497)	(1,073,548)
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OTHER FINANCING SOURCES (USES):	SPECIAL REVENUE FUNDS				CONSTRUCTION PROJECTS				FUNDS				PERMANENT FUNDS					
	FEDERAL SEIZURE FUND	STATE SEIZURE FUND	2008 GENERAL OBLIG BONDS	SWIMMING POOL CONSTRUCTION	CONSTRUCTION PROJECTS FUND	STREET UTILITY MAINTENANCE	CEMETERY PERMANENT	COHEN SCHOLARSHIP	TOTAL	FEDERAL SEIZURE FUND	STATE SEIZURE FUND	2008 GENERAL OBLIG BONDS	SWIMMING POOL CONSTRUCTION	CONSTRUCTION PROJECTS FUND	STREET UTILITY MAINTENANCE	CEMETERY PERMANENT	COHEN SCHOLARSHIP	TOTAL
Issuance of Debt	-	-	-	-	-	-	-	-	-									
Funds Transferred In	-	-	-	7,362	442,175	47,400	-	-	496,937									
Funds Transferred Out	-	-	(189,612)	-	(752)	-	(3,000)	-	(597,733)									
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(189,612)	7,362	441,423	47,400	(3,000)	-	(100,796)									

NET CHANGE IN FUND BALANCES	7	34,962	-	-	412,879	(1,743,638)	35,886	(497)	(1,174,344)
FUND BALANCE - October 1	2,956	2,063	-	-	48,354	3,760,040	1,374,067	11,183	6,287,780
FUND BALANCE - September 30	2,963	\$ 37,025	\$ -	\$ -	461,233	\$ 2,016,402	\$ 1,409,953	\$ 10,686	\$ 5,113,436



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, 2014

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Ad Valorem Taxes	\$ 1,887,251	\$ 1,887,251	\$ 1,937,511	\$ 50,260
Investment Income	2,000	2,000	893	(1,107)
Other Income	11,160	11,160	18,000	6,840
TOTAL REVENUES	<u>1,900,411</u>	<u>1,900,411</u>	<u>1,956,404</u>	<u>55,993</u>
EXPENDITURES				
Current:				
General Government	69,500	91,756	99,080	(7,324)
Debt Service				
Principal Retirement	1,915,801	1,371,400	1,371,400	-
Interest and Fiscal Charges	-	533,096	561,934	(28,838)
TOTAL EXPENDITURES	<u>1,985,301</u>	<u>1,996,252</u>	<u>2,032,414</u>	<u>(36,162)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(84,890)</u>	<u>(95,841)</u>	<u>(76,010)</u>	<u>19,831</u>
OTHER FINANCING SOURCES (USES)				
Refunding Bonds Issued	-	-	759,179	759,179
Payment to Escrow Agent	-	-	(743,029)	(743,029)
Funds Transferred In	108,360	108,360	108,360	-
Funds Transferred Out	(9,269)	(9,269)	(9,269)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>99,091</u>	<u>99,091</u>	<u>115,241</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	14,201	3,250	39,231	19,831
FUND BALANCE - October 1	<u>1,024,748</u>	<u>1,024,748</u>	<u>1,024,748</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 1,038,949</u>	<u>\$ 1,027,998</u>	<u>\$ 1,063,979</u>	<u>\$ 19,831</u>

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

CITY OF GAINESVILLE, TEXAS
ASSIGNED PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<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	-	-	1,089	1,089
Other Income	-	30,126	100,000	69,874
TOTAL REVENUES	<u>-</u>	<u>30,126</u>	<u>101,089</u>	<u>70,963</u>
EXPENDITURES				
Current:				
General Government	-	-	59,874	(59,874)
Capital Outlay	680,000	542,286	883,256	(340,970)
Total EXPENDITURES	<u>680,000</u>	<u>542,286</u>	<u>943,130</u>	<u>(400,844)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(680,000)</u>	<u>(512,160)</u>	<u>(842,041)</u>	<u>(329,881)</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	2,504,039	2,504,039
Funds Transferred Out	-	(87,840)	(95,202)	(7,362)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(87,840)</u>	<u>2,408,837</u>	<u>2,496,677</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(680,000)</u>	<u>(600,000)</u>	<u>1,566,796</u>	<u>2,166,796</u>
FUND BALANCE - October 1	<u>2,540,458</u>	<u>2,540,458</u>	<u>2,540,458</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 1,860,458</u>	<u>\$ 1,940,458</u>	<u>\$ 4,107,254</u>	<u>\$ 2,166,796</u>



Budgetary Comparison Schedules

Non Major 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, 2014**

	<u>BUDGET</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Fines & Forfeitures	\$ 12,500	\$ 12,500	\$ 10,796	\$ (1,704)
Investment Income	-	-	15	15
Other Income	-	-	-	-
TOTAL REVENUES	<u>12,500</u>	<u>12,500</u>	<u>10,811</u>	<u>(1,689)</u>
EXPENDITURES				
Current:				
Public Safety	<u>7,400</u>	<u>7,400</u>	<u>6,179</u>	<u>1,221</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,100</u>	<u>5,100</u>	<u>4,632</u>	<u>(468)</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	5,100	5,100	4,632	(468)
FUND BALANCE - October 1	<u>3,637</u>	<u>3,637</u>	<u>3,637</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 8,737</u>	<u>\$ 8,737</u>	<u>\$ 8,269</u>	<u>\$ (468)</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, 2014

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines & Forfeitures	\$ 6,000	\$ 6,000	\$ 6,766	\$ 766
Investment Income	-	-	9	9
Other Income	-	-	-	-
TOTAL REVENUES	<u>6,000</u>	<u>6,000</u>	<u>6,775</u>	<u>775</u>
EXPENDITURES				
Current:				
Public Safety	2,500	2,000	391	1,609
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>2,500</u>	<u>2,000</u>	<u>391</u>	<u>1,609</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,500</u>	<u>4,000</u>	<u>6,384</u>	<u>2,384</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	-	-	(5,000)	(5,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>3,500</u>	<u>4,000</u>	<u>1,384</u>	<u>(2,616)</u>
FUND BALANCE - October 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 3,500</u>	<u>\$ 4,000</u>	<u>\$ 1,384</u>	<u>\$ (2,616)</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, 2014

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Other Local Taxes	\$ 520,500	\$ 520,500	\$ 649,982	\$ 129,482
Investment Income	750	750	1,126	376
Other Income	-	-	-	-
TOTAL REVENUES	<u>521,250</u>	<u>521,250</u>	<u>651,108</u>	<u>129,858</u>
EXPENDITURES				
Current:				
General Government	154,500	154,500	212,341	(57,841)
Capital Outlay	-	-	28,635	(28,635)
TOTAL EXPENDITURES	<u>154,500</u>	<u>154,500</u>	<u>240,976</u>	<u>(86,476)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>366,750</u>	<u>366,750</u>	<u>410,132</u>	<u>43,382</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	(385,402)	(385,402)	(389,369)	(3,967)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(385,402)</u>	<u>(385,402)</u>	<u>(389,369)</u>	<u>(3,967)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(18,652)	(18,652)	20,763	39,415
FUND BALANCE - October 1	<u>768,661</u>	<u>768,661</u>	<u>768,661</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 750,009</u>	<u>\$ 750,009</u>	<u>\$ 789,424</u>	<u>\$ 39,415</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, 2014

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ -
Investment Income	-	-	-	-
Other Income	2,181	2,181	1,924	(257)
TOTAL REVENUES	<u>2,181</u>	<u>2,181</u>	<u>1,924</u>	<u>(257)</u>
EXPENDITURES				
Current:				
General Government	<u>2,181</u>	<u>1,900</u>	<u>1,677</u>	<u>223</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>281</u>	<u>247</u>	<u>(34)</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>-</u>	<u>281</u>	<u>247</u>	<u>(34)</u>
FUND BALANCE - October 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ -</u>	<u>\$ 281</u>	<u>\$ 247</u>	<u>\$ (34)</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, 2014

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines & Forfeitures	\$ 12,500	\$ 12,500	\$ 13,606	\$ 1,106
Investment Income	20	20	15	(5)
Other Income	-	-	-	-
TOTAL REVENUES	<u>12,520</u>	<u>12,520</u>	<u>13,621</u>	<u>1,101</u>
EXPENDITURES				
Current:				
Public Safety	-	-	591	(591)
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>591</u>	<u>(591)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,520</u>	<u>12,520</u>	<u>13,030</u>	<u>510</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	(10,000)	(10,000)	(10,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>2,520</u>	<u>2,520</u>	<u>3,030</u>	<u>510</u>
FUND BALANCE - October 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 2,520</u>	<u>\$ 2,520</u>	<u>\$ 3,030</u>	<u>\$ 510</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, 2014

	<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	20	20	41	21
Other Income	45,000	45,000	52,728	7,728
TOTAL REVENUES	<u>45,020</u>	<u>45,020</u>	<u>52,769</u>	<u>7,749</u>
EXPENDITURES				
Current:				
General Government	<u>45,020</u>	<u>45,020</u>	<u>52,769</u>	<u>(7,749)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE -OCTOBER 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2014

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Charges for Services	\$ 20,000	\$ 20,000	\$ 21,825	\$ 1,825
Investment income	55	55	48	(7)
Other income	-	-	-	-
TOTAL REVENUES	<u>20,055</u>	<u>20,055</u>	<u>21,873</u>	<u>1,818</u>
EXPENDITURES				
Current:				
Public Works	15,000	15,000	14,978	22
Capital Outlay	4,000	-	-	-
TOTAL EXPENDITURES	<u>19,000</u>	<u>15,000</u>	<u>14,978</u>	<u>22</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,055</u>	<u>5,055</u>	<u>6,895</u>	<u>1,840</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	1,055	5,055	6,895	1,840
FUND BALANCE -OCTOBER 1	<u>23,566</u>	<u>23,566</u>	<u>23,566</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 24,621</u>	<u>\$ 28,621</u>	<u>\$ 30,461</u>	<u>\$ 1,840</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, 2014

	<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				
License & Permits	\$ 40,800	\$ 40,800	\$ 31,443	\$ (9,357)
Investment Income	75	75	163	88
Other Income	-	-	-	-
TOTAL REVENUES	<u>40,875</u>	<u>40,875</u>	<u>31,606</u>	<u>(9,269)</u>
EXPENDITURES				
Current:				
Public Safety	-	-	-	-
Capital Outlay	30,000	30,000	15,899	14,101
TOTAL EXPENDITURES	<u>30,000</u>	<u>30,000</u>	<u>15,899</u>	<u>14,101</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>10,875</u>	<u>10,875</u>	<u>15,707</u>	<u>4,832</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	10,875	10,875	15,707	4,832
FUND BALANCE - October 1	<u>86,824</u>	<u>86,824</u>	<u>86,824</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 97,699</u>	<u>\$ 97,699</u>	<u>\$ 102,531</u>	<u>\$ 4,832</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, 2014

	<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	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>2,956</u>	<u>2,956</u>	<u>2,956</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 2,964</u>	<u>\$ 2,964</u>	<u>\$ 2,963</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, 2014

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	30	30	60	30
Other income	10,000	10,000	40,498	30,498
TOTAL REVENUES	<u>10,030</u>	<u>10,030</u>	<u>40,558</u>	<u>30,528</u>
EXPENDITURES				
Current:				
Public Safety	4,500	2,000	5,596	(3,596)
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>4,500</u>	<u>2,000</u>	<u>5,596</u>	<u>(3,596)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,530</u>	<u>8,030</u>	<u>34,962</u>	<u>26,932</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>5,530</u>	<u>8,030</u>	<u>34,962</u>	<u>26,932</u>
FUND BALANCE -OCTOBER 1	<u>2,063</u>	<u>2,063</u>	<u>2,063</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 7,593</u>	<u>\$ 10,093</u>	<u>\$ 37,025</u>	<u>\$ 26,932</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, 2014

	<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	601	(2,399)
Other income	32,000	32,000	38,285	6,285
TOTAL REVENUES	<u>35,000</u>	<u>35,000</u>	<u>38,886</u>	<u>3,886</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>35,000</u>	<u>35,000</u>	<u>38,886</u>	<u>3,886</u>
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	-	-
Funds transferred (out)	(3,000)	(3,000)	(3,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,000)</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	32,000	32,000	35,886	3,886
FUND BALANCE -OCTOBER 1	<u>1,374,067</u>	<u>1,374,067</u>	<u>1,374,067</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 1,406,067</u>	<u>\$ 1,406,067</u>	<u>\$ 1,409,953</u>	<u>\$ 3,886</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, 2014

	<u>BUDGET</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	10	10	3	(7)
Other income	-	-	-	-
TOTAL REVENUES	<u>10</u>	<u>10</u>	<u>3</u>	<u>(7)</u>
EXPENDITURES				
Current:				
General government	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(490)</u>	<u>(490)</u>	<u>(497)</u>	<u>(7)</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>(490)</u>	<u>(490)</u>	<u>(497)</u>	<u>(7)</u>
FUND BALANCE -OCTOBER 1	<u>11,183</u>	<u>11,183</u>	<u>11,183</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 10,693</u>	<u>\$ 10,693</u>	<u>\$ 10,686</u>	<u>\$ (7)</u>



Capital Assets
Used in the Operations
Of Governmental Funds

CITY OF GAINESVILLE, TEXAS
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
September 30, 2014

Governmental Funds Capital Assets:	
Land	\$ 1,290,167
Buildings	9,644,814
Improvements other than Building	85,996,443
Machinery and Equipment	9,060,079
Furniture and Fixtures	196,026
Office Machinery and Equipment	1,964,685
Construction in Progress	<u>1,820,026</u>
 Total Governmental Funds Capital Assets	 <u>\$ 109,972,240</u>
 Investment in Governmental Funds Capital Assets by Source:	
General Fund	\$ 81,847,788
Capital Project Funds	23,456,298
Special Revenue Funds	3,405,348
Permanent Funds	<u>1,262,806</u>
 Total Investment in Governmental Capital Assets	 <u>\$ 109,972,240</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, 2014

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	\$ 479,530	\$ -	\$ 16,547	\$ -	\$ 69,106	\$ -	\$ 724,154
Main Street Program	-	-	350,197	-	-	-	-	350,197
Building Operations	375,613	5,701,038	964,927	74,922	177,808	38,424	-	7,332,732
Civic Center Operations	-	1,670,806	156,328	1,674	-	-	-	1,828,808
Community Development	42,351	-	19,256	53,553	-	60,304	-	175,464
Cable Peg Fund	-	613,498	-	16,406	-	-	-	629,904
Finance	-	-	-	-	-	49,797	-	49,797
Total General Government	576,935	8,464,872	1,490,708	163,102	177,808	217,631	-	11,091,056
Public Safety:								
Police	-	299,588	125,806	2,810,016	18,218	1,544,071	-	4,797,699
Fire	-	119,687	-	3,097,372	-	136,039	-	3,353,098
Total Public Safety	-	419,275	125,806	5,907,388	18,218	1,680,110	-	8,150,797
Public Works:								
Administration	-	77,011	-	-	-	50,548	-	127,559
Street Maintenance	626,312	184,179	77,377,852	1,849,683	-	16,396	1,820,026	81,874,448
Central Garage	-	-	-	196,311	-	-	-	196,311
Stormwater Project	-	-	-	-	-	-	-	-
Parks and Recreation	20,920	250,127	3,178,606	424,473	-	-	-	3,874,126
Zoo Operations	-	45,980	2,668,919	161,299	-	-	-	2,876,198
Cemetery Operations	-	17,304	-	185,879	-	-	-	203,183
Total Public Works	647,232	574,601	83,225,377	2,817,645	-	66,944	1,820,026	89,151,825
Community Services:								
Parks and Recreation	66,000	135,972	262,167	70,349	-	-	-	534,488
Zoo	-	50,094	488,022	-	-	-	-	538,116
Inspections	-	-	-	75,535	-	-	-	75,535
Environmental Health	-	-	-	-	-	-	-	-
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	\$ 1,290,167	\$ 9,644,814	\$ 85,996,443	\$ 9,060,079	\$ 196,026	\$ 1,964,685	\$ 1,820,026	\$ 109,972,240

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 OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Function and Activity	Balance 10/1/2013	Additions/ Completions	Disposals/ Reclassifications	Transfers	Balance 9/30/2014
General Government:					
Administration	\$ 698,238	\$ 22,154	\$ -	\$ 3,762	\$ 724,154
Main Street Program	330,873	19,324	-	-	350,197
Building Operations	6,815,267	277,106	-	240,359	7,332,732
Civic Center Operations	1,758,265	70,543	-	-	1,828,808
Community Development	153,220	22,244	-	-	175,464
Cable Peg Fund	614,161	15,743	-	-	629,904
Finance	292,879	-	(243,082)	-	49,797
Total General Government	10,662,903	427,114	(243,082)	244,121	11,091,056
Public Safety:					
Police	3,492,782	1,427,653	-	(122,736)	4,797,699
Fire	1,977,847	150,579	-	1,224,672	3,353,098
Total Public Safety	5,470,629	1,578,232	-	1,101,936	8,150,797
Public Works:					
Administration	127,559	-	-	-	127,559
Street Maintenance	82,778,129	1,808,788	-	(2,712,469)	81,874,448
Central Garage	185,175	11,136	-	-	196,311
Stormwater Project	760,389	-	-	(760,389)	-
Parks and Recreation	3,837,500	34,151	-	2,475	3,874,126
Zoo Operations	2,814,247	61,951	-	-	2,876,198
Other Operations	141,843	61,340	-	-	203,183
Total Public Works	90,644,842	1,977,366	-	(3,470,383)	89,151,825
Community Services:					
Parks and Recreation	534,488	-	-	-	534,488
Zoo	538,116	-	-	-	538,116
Inspections	37,224	38,311	-	-	75,535
Environmental Health	38,311	(38,311)	-	-	-
Cemetery	430,423	-	-	-	430,423
Total Community Services	1,578,562	-	-	-	1,578,562
Total Governmental Capital Assets	\$ 108,356,936	\$ 3,982,712	\$ (243,082)	\$ (2,124,326)	\$ 109,972,240

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



Federal Awards Section



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, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Gainesville, Texas's basic financial statements, and have issued our report thereon dated February 13, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Gainesville, Texas'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, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Gainesville, Texas'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, Texas'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.

A handwritten signature in cursive script that reads "Schalk & Smith P.C.".

Schalk & Smith, P.C.
February 13, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

City Council
City of Gainesville
Gainesville, Texas 76240

Members of the Council:

Report on Compliance for Each Major Federal Program

We have audited City of Gainesville, Texas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Gainesville, Texas's major federal programs for the year ended September 30, 2014. City of Gainesville, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Gainesville, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Gainesville, Texas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Gainesville, Texas's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Gainesville, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control over Compliance

Management of City of Gainesville, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Gainesville, Texas's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over

compliance. Accordingly, we do not express an opinion on the effectiveness of City of Gainesville, Texas's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Schalk & Smith P.C.".

Schalk & Smith, P.C.
February 13, 2015

**CITY OF GAINESVILLE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified opinion
Internal control over financial reporting:	
• Material weakness identified	No
• Significant deficiency identified that are not considered to be material weaknesses	No
• Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
• Material weakness identified	No
• Significant deficiency identified that are not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with section 501(a) of Circular A-133	No
Major Federal Programs:	
• Congressionally Mandated Projects, CFDA #66.202	
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings-NONE

Section III – Federal Award Findings and Questioned Costs-NONE

**CITY OF GAINESVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

N/A

**CITY OF GAINESVILLE, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

(Prepared by the City's Administration)

N/A

CITY OF GAINESVILLE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PASS-THROUGH DISBURSEMENTS & EXPENDITURES
U.S. Department of Defense			
Direct Programs:			
Flood Control Projects	12.106	N/A	\$ <u>168,125</u>
U.S. Department of Justice			
Direct Programs:			
Bullet Proof Vest Program	16.607	2011BUBX11056473	\$ <u>9,496</u>
U.S. Department of Transportation			
Pass-through From:			
Texas Department of Transportation			
Airport Improvement Program	20.16	M1043GAIN	\$ <u>16,776</u>
U.S. Department of Homeland Security			
Direct Programs:			
Assistance to Firefighters Grant	97.044	EMW-2012-FO-00945	1,315
Pass-through From:			
Texas Department of Public Safety			
Disaster Grants-Public Assistance	97.036	1709-DR	2,613
Emergency Management Performance Grants	97.042	14TX-EMPG-0109	34,207
Homeland Security Grant Program	97.067	EMW-2013-SS-00045	6,192
State Homeland Security Program	97.073	EMW-2012-SS-00018-SO	15,135
Total Department of Homeland Security			<u>59,462</u>
U. S. Environmental Protection Agency			
Direct Programs:			
Congressionally Mandated Projects	66.202	XP-00F58301	455,900
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ <u>709,759</u></u>

CITY OF GAINESVILLE, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of City of Gainesville (the "Authority") under programs of the federal government for the year ended September 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.



Statistical Section

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.	113
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.	122
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.	132
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.	137
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.	138

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

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Invested in capital assets										
net of related debt	\$ (127,020)	\$ 57,472	\$ 392,926	\$ 779,029	\$ 2,978,341	\$ 2,633,311	\$ (1,359,842)	\$ (1,209,809)	\$ 4,129,634	\$ 3,551,425
Restricted	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	1,420,639
Unrestricted	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	20,892,158
Total governmental activities net assets	\$ 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	\$ 25,864,222
Business-type activities										
Invested in capital assets										
net of related debt	\$ 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	\$ 16,196,466
Restricted	0	0	0	0	0	0	0	0	0	0
Unrestricted	(789,552)	59,311	714,675	1,361,440	2,474,873	5,468,599	3,852,677	4,447,825	5,531,782	5,408,349
Total business-type activities net assets	\$ 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	\$ 21,604,815
Primary government										
Invested in capital assets										
net of related debt	\$ 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	\$ 19,747,891
Restricted	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	1,420,639
Unrestricted	(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	26,300,507
Total primary government net assets	\$ 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	\$ 47,469,037

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
General Government	\$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	\$2,301,376
Community Development	346,006	739,496	276,415	349,900	354,000	410,999	347,571	375,589	488,974	499,803
Community Services	280,376	0	0	0	0	0	0	0	0	0
Finance	418,343	448,742	448,207	431,430	399,885	401,758	400,922	406,189	462,758	404,366
Public Safety	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	8,262,814
General/Public Services	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	3,731,174
Bond Issuance Cost	0	0	0	0	20,163	0	0	0	0	79,487
Interest on Long-Term Debt	692,445	716,205	484,224	536,201	530,804	450,764	808,937	674,442	703,793	544,840
Total Governmental Activities Expenses	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	15,823,860
Business-Type Activities:										
Water and Sewer	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	6,450,530
Municipal Airport	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	1,336,488
Golf Course	448,445	513,501	543,412	617,356	582,525	550,564	558,961	424,216	387,220	390,556
Stormwater	204,319	322,836	286,029	320,769	442,089	393,324	194,267	226,363	261,470	373,440
Solid Waste	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	2,775,951
Total Business-Type Activities Expenses	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	11,326,965
Total Primary Government Expenses	\$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	\$27,150,825
Program Revenues										
Governmental Activities:										
Fines, Fees, Charges for Services										
General Government	\$0	\$0	\$25,000	\$25,000	\$0	\$0	\$0	\$40,808	\$32,159	\$0
Community Development	555,136	752,026	725,940	851,088	392,201	372,813	481,946	546,688	560,554	691,640
Public Safety	464,285	497,638	505,799	587,271	467,336	425,670	471,929	361,494	123,184	272,044
General/Public Services	0	0	0	0	453,436	453,449	518,943	533,552	605,285	675,361
Operating Grants and Contributions	125,861	523,173	883,906	385,352	1,480,927	235,593	268,736	259,748	409,629	260,794
Total Governmental Activities Program Revenues	1,145,282	1,772,837	2,140,645	1,848,711	2,793,900	1,487,525	1,741,554	1,742,290	1,730,811	1,899,839
Program Revenues (continued)										
Business-Type Activities:										
Fines, Fees, Charges for Services										
Water and Sewer	\$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	\$7,510,490
Municipal Airport	717,675	923,305	961,110	1,263,399	878,792	896,501	1,132,279	1,164,363	1,141,161	1,250,890
Golf Course	290,373	322,630	250,432	366,356	345,795	285,532	270,195	76,110	172,214	193,863
Stormwater	407,873	513,261	545,569	551,395	963,149	960,287	949,795	952,558	1,003,269	1,002,231
Solid Waste	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	3,690,851

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Grants and Contributions	448,851	136,933	76,539	90,123	185,616	919,693	377,385	276,940	0	472,676
Total Business-Type Activities Program Revenue	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	14,121,001
Total Primary Government Program Revenues	\$11,988,868	\$14,214,585	\$14,565,285	\$14,896,660	\$15,920,197	\$15,052,446	\$15,754,276	\$15,813,768	\$15,926,263	\$16,020,840
Net (Expense)/Revenue										
Governmental Activities	(\$12,788,265)	(\$12,386,985)	(\$12,070,567)	(\$13,026,489)	(\$11,289,404)	(\$12,687,797)	(\$12,954,557)	(\$12,793,687)	(\$13,641,826)	(\$13,924,021)
Business-Type Activities	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	2,794,036
Total Primary Government	(\$11,534,029)	(\$10,126,386)	(\$9,951,975)	(\$10,736,334)	(\$8,366,503)	(\$9,150,295)	(\$9,240,987)	(\$9,117,021)	(\$9,520,618)	(\$11,129,985)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes										
Property Taxes	\$4,358,949	\$4,421,385	\$4,482,892	\$4,891,706	\$5,254,558	\$5,626,157	\$5,424,213	\$5,501,785	\$6,200,651	\$6,216,770
Sales Taxes	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	6,622,880
Other Taxes & Fees	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	2,002,165
Investment Income	43,262	87,331	152,191	134,030	78,460	31,581	32,797	25,372	28,797	11,821
Miscellaneous	267,912	470,074	450,333	364,550	514,287	657,349	1,322,069	476,078	476,078	1,459,148
Transfers In (Out)	1,933,990	1,857,252	2,036,612	2,063,455	1,979,229	2,002,451	2,108,944	2,339,314	2,339,314	2,110,857
Total Government Activities	11,769,063	12,888,338	13,909,514	15,521,790	14,091,004	13,977,279	16,224,343	18,211,216	16,408,733	18,423,641
Business-Type Activities:										
Investment Income	29,791	9,151	36,710	34,741	39,618	11,181	4,462	4,832	6,778	5,795
Miscellaneous	0	0	347,374	387,975	83,967	8,962	10,000	0	998,514	7,599,845
Transfers In (Out)	(1,933,990)	(1,857,252)	(2,036,612)	(2,063,455)	(1,979,229)	(2,002,451)	(2,108,944)	(2,339,314)	(2,339,314)	(2,110,857)
Total Business-Type Activities	(1,904,199)	(1,848,101)	(1,652,528)	(1,640,739)	(1,855,644)	(1,982,308)	(2,094,482)	(2,334,482)	(1,334,022)	5,594,783
Total Primary Government	\$9,864,864	\$11,040,237	\$12,256,986	\$13,881,051	\$12,235,360	\$11,994,971	\$14,129,861	\$15,876,734	\$15,074,711	\$24,018,424
Change in Net Assets										
Governmental Activities	(\$1,019,202)	\$501,353	\$1,838,947	\$2,495,301	\$2,801,600	\$1,289,482	\$3,269,786	\$5,417,529	\$2,766,907	\$4,499,620
Business-Type Activities	(649,963)	412,498	466,064	649,416	1,067,257	1,555,194	1,619,088	1,342,184	2,787,186	8,388,819
Total Primary Government	(\$1,669,165)	\$913,851	\$2,305,011	\$3,144,717	\$3,868,857	\$2,844,676	\$4,888,874	\$6,759,713	\$5,554,093	\$12,888,439

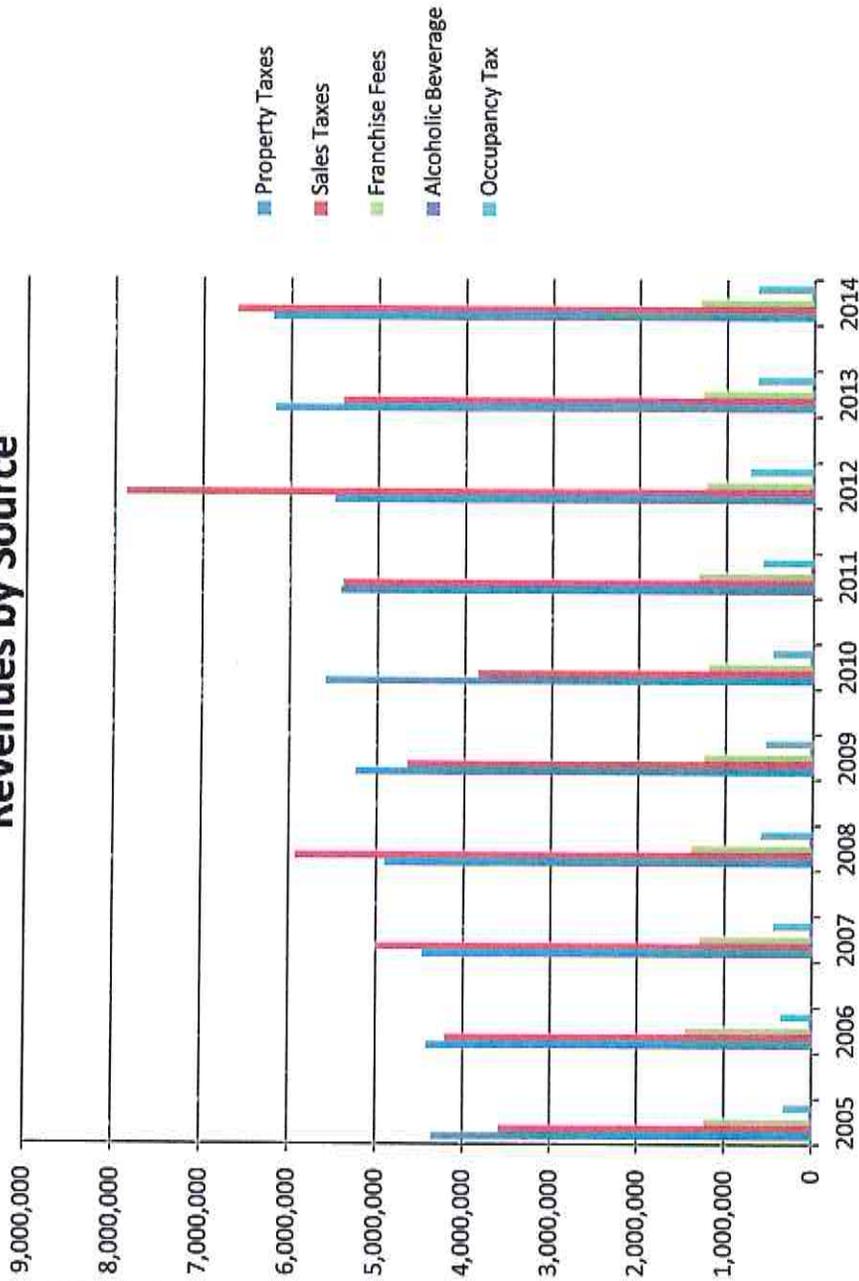
City of Gainesville, Texas
Governmental Activities Tax and Franchise Fee Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Property Taxes	Sales Taxes	Franchise Fees	Alcoholic Beverage Taxes		Occupancy Tax	Total
				Beverage Taxes	Occupancy Tax		
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	
2014	\$ 6,216,770	\$ 6,622,880	\$ 1,314,767	\$ 37,416	\$ 649,982	\$ 14,841,815	

Statement of Rev and Exp and changes in Fund Balances

Statement of Activities

Governmental Activities Tax and Franchise Fee Revenues by Source



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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$38,619	\$43,656	\$19,235	\$40,530	\$428	\$628	\$0	\$0	\$0	\$0
Unreserved	370,806	1,007,234	1,938,763	3,385,907	4,224,247	5,051,487	0	0	0	0
Nonspendable	0	0	0	0	0	0	459	0	770	978
Assigned:										
Stanford House	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	2,254,213	0	0
Other	0	0	0	0	0	0	0	0	0	0
Unassigned	0	0	0	0	0	0	6,679,703	6,880,162	7,216,399	7,407,227
Total General Fund	\$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	\$7,408,205
All Other Governmental Funds										
Reserved	\$2,158,137	\$1,127,641	\$1,404,099	\$2,208,169	\$1,875,114	\$3,895,572	\$0	\$0	\$0	\$0
Unreserved, reported in:										
Special Revenue Funds	265,083	(764,402)	(590,815)	(88,470)	0	86,580	0	0	0	0
Capital Projects Funds	(22,782)	584,107	(65,886)	0	328,115	0	0	0	0	0
Nonspendable	0	0	0	0	0	0	0	0	770	0
Restricted:										
Debt Service	0	0	0	0	0	0	844,347	1,022,513	1,024,748	1,063,979
Construction	0	0	0	0	0	0	4,930,607	5,315,306	3,760,040	5,000,089
Tourism and the Arts	0	0	0	0	0	0	353,043	601,934	768,661	789,424
Other	0	0	0	0	0	0	63,139	91,591	106,663	165,888
Committed:										
Cemetery	0	0	0	0	0	0	1,272,802	1,327,746	1,374,067	1,409,953
Assigned:										
Stanford House	0	0	0	0	0	0	162,312	211,859	206,429	239,828
Construction	0	0	0	0	0	0	114,862	2,035,103	2,564,024	2,477,635
Other	0	0	0	0	0	0	18,189	27,528	48,354	4,137,962
Unassigned	0	0	0	0	0	0	0	0	0	0
Total All Other Governmental Funds	\$2,400,438	\$947,346	\$747,398	\$2,119,699	\$2,203,229	\$3,982,152	\$7,759,301	\$10,633,580	\$9,853,756	\$15,284,758

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Ad Valorem Taxes	\$ 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	\$ 6,227,465
Sales Taxes	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	6,622,880
Other Local Taxes/Fees	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	2,002,165
Service Charges	395,404	508,518	569,915	673,298	672,489	686,216	796,144	835,854	896,422	1,091,780
License & Permits	159,732	243,508	181,020	202,790	173,148	140,046	204,745	285,195	269,957	275,221
Fines & Forfeitures	483,929	457,731	486,678	476,939	489,252	464,628	367,930	371,319	301,256	394,361
Interest from Investments	43,262	87,332	152,191	134,030	78,460	31,582	32,797	25,370	26,220	11,821
Intergovernmental Revenues	125,861	523,173	883,906	385,352	209,656	309,615	268,736	259,748	409,629	260,794
Other Income	268,167	470,072	450,333	364,548	1,711,537	657,348	1,322,070	485,357	1,441,807	1,315,154
Total Revenues	\$ 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	\$ 18,201,641
Expenditures										
General Government	\$ 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	\$ 1,976,208
Community Development	341,412	675,742	270,842	351,506	376,869	366,368	313,163	333,267	439,962	440,433
Finance	404,466	435,367	434,032	432,879	375,468	402,455	399,691	401,010	445,875	418,602
Public Safety	6,359,967	6,510,645	6,699,091	6,958,057	6,932,074	7,144,821	7,373,057	7,267,715	7,621,916	7,848,716
Public Works	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	3,105,835
Non-Departmental	0	0	0	0	20,163	0	202,193	0	0	0
Capital Outlay	1,640,257	999,920	1,508,562	827,154	2,200,960	917,862	4,533,090	3,308,994	6,824,053	3,982,712
Debt Service:										
Principal	851,768	950,260	982,345	1,077,595	1,165,913	978,483	1,039,008	1,189,641	1,375,923	1,371,400
Interest	684,057	717,684	493,067	542,350	528,907	463,946	774,173	656,586	741,728	561,934
Bond Issuance Cost	0	0	0	0	0	0	0	70,812	0	79,487
Total Expenditures	\$ 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	\$ 19,785,327
Excess of revenues over(under) expenditures	(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)	(1,583,686)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other financing Sources (Uses):										
Proceeds from Bond Issues	500,000	192,959	412,220	962,020	0	1,979,525	0	3,129,660	0	5,095,637
Proceeds from Leases	0	0	0	0	0	0	0	0	0	0
Funds transferred in	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	5,846,196
Funds transferred out	(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)	(3,735,339)
Total Other Financing Sources(Uses)	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	7,206,494
Net Change in Fund Balances	(\$1,380,404)	(\$220,365)	\$707,180	\$2,840,720	\$788,761	\$2,606,363	(\$1,117,006)	\$5,328,492	(\$2,697,800)	\$5,622,808
Debt Service as a percentage of										
Noncapital Expenditures	11.66%	11.92%	10.40%	11.21%	12.07%	10.38%	12.51%	12.76%	13.84%	12.23%

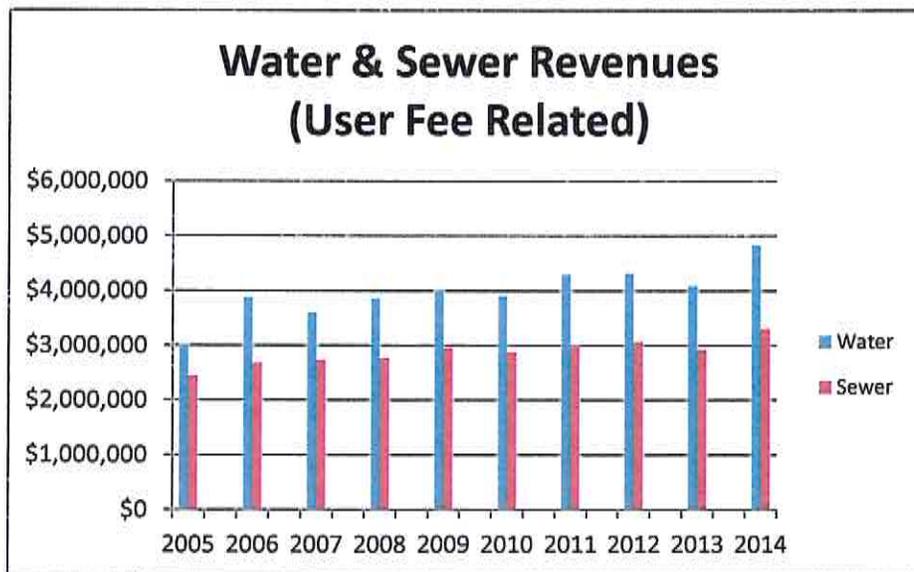
**City of Gainesville, Texas
Water and Sewer Rates-Residential
Last Ten Years**

Fiscal Year	Water Base (per month)	Water Rate (per 1000 gals)	Sewer Base (per month)	Sewer Rate (per 1000 gals)
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
2014	\$19.53	\$3.80	\$17.94	\$3.30

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
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
2014	\$4,833,475	\$3,311,735	\$8,145,210



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

Customer	2014		2005	
	Total Consumption For Customer Rank (in gallons)	Rank	Total Consumption For Customer Rank (in gallons)	Rank
Zodiac (formerly Weber Aircraft)	14,925,020	1	13,882,950	2
Frank Buck Zoo	10,432,400	2	4,976,000	6
Gainesville State School	9,498,000	3	16,177,980	1
Duraline FKA Polypipe Inc.	7,259,400	4	3,847,000	9
Pecan Tree Manor	6,369,500	5		
BMCA (GAF)	4,985,100	6		
North Central Texas College	4,731,900	7	8,118,640	4
Renaissance Care Center	4,297,500	8		
Woodglen Apts	3,918,000	9	4,070,900	7
Cooke County Justice Center	3,429,850	10		
North Texas Medical		-	4,830,000	5
Super 8 Motel		-	3,986,600	8
Gainesville ISD	-	-	8,502,140	3
Total Water Consumption	69,846,670		68,392,210	

Source: City of Gainesville Customer Service

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

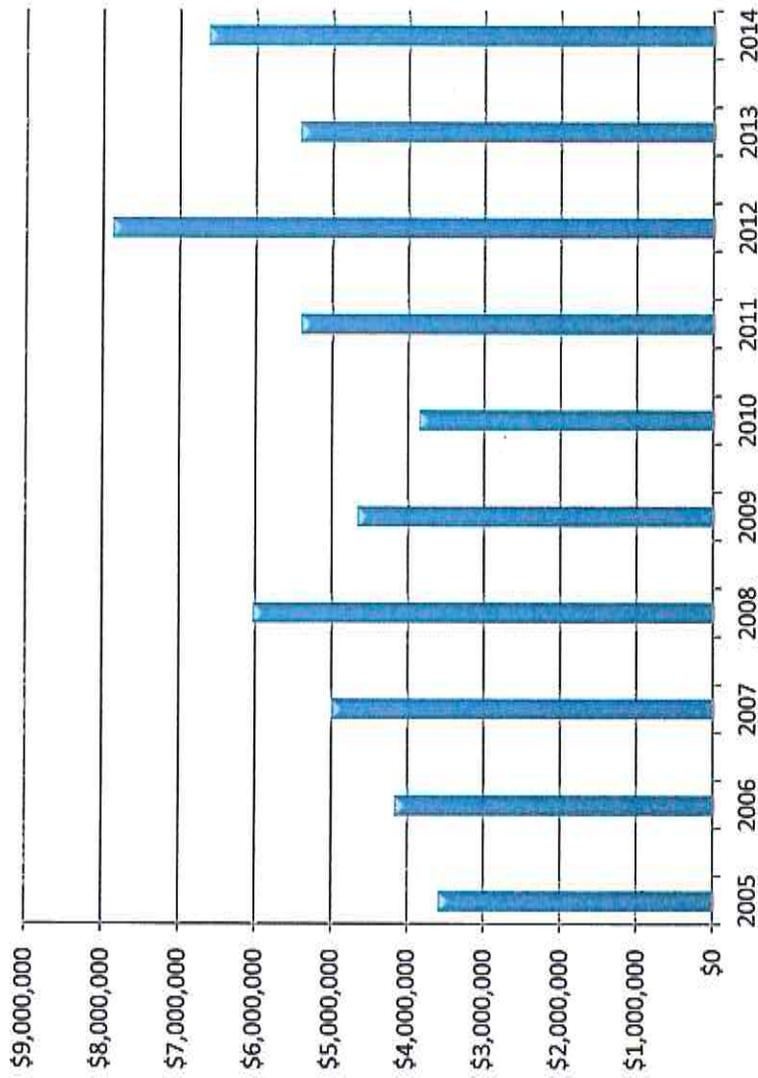
Fiscal Year	State of Texas	Cooke County	City of Gainesville	Gainesville Economic Development	Totals
2005	6.25%	0.50%	1.25%	0.25%	8.25%
2006	6.25%	0.50%	1.25%	0.25%	8.25%
2007	6.25%	0.50%	1.25%	0.25%	8.25%
2008	6.25%	0.50%	1.25%	0.25%	8.25%
2009	6.25%	0.50%	1.25%	0.25%	8.25%
2010	6.25%	0.50%	1.25%	0.25%	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%
2014	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**

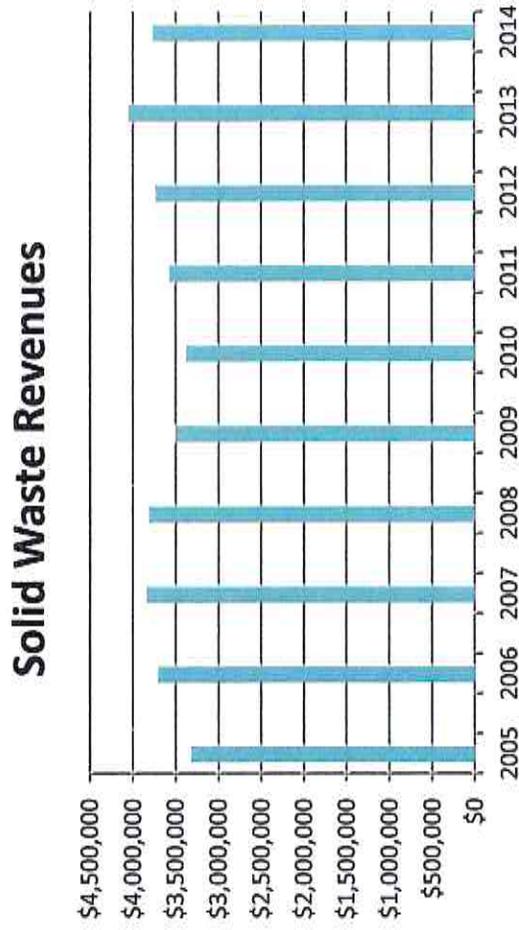
<u>Fiscal Year</u>	<u>Sales Tax Revenue</u>
2005	3,576,233
2006	4,153,560
2007	4,989,105
2008	6,022,826
2009	4,653,940
2010	3,854,804
2011	5,401,018
2012	7,875,346
2013	\$5,409,389
2014	\$6,622,880

**Sales Tax Revenue
Ten Year History**



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

Fiscal Year	Charges for Service Revenues
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
2014	\$3,776,396



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

Fiscal Year	Real Property			Personal Property			Total			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	Total Direct Tax Rate		
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%	
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	269,937,257	861,822,717	861,822,717	0.6460	100.0%	
2014 \$	806,604,990	\$ 806,604,990	\$ 485,569,221	\$ 485,569,221	\$ 309,805,953	\$ 982,368,258	\$ 982,368,258	0.6878	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)		
	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
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
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
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
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
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
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
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
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
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
2014	\$0.44508	\$0.20092	\$0.64600	\$0.34940	\$0.02050	\$0.36990	\$1.04000	\$0.25000	\$1.29000	\$1.14440	\$0.09830	\$1.24270

(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	2014			2005		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Well Services Division	\$ 55,874,590	1	5.85%	\$ 0		0.00%
Zodiac (formerly Weber Aircraft)	35,284,967	2	3.69%	17,718,821	2	2.91%
Wal-Mart	18,371,669	3	1.92%	18,079,313	1	2.96%
BMCA	17,893,730	4	1.87%	0		0.00%
Duraline FKA Polypipe Inc	13,078,768	5	1.37%	4,077,792	10	0.67%
Oncor Electric	8,515,370	6	0.89%	8,102,090	4	1.33%
Enterprise FM Trust	8,247,680	7	0.86%	0		0.00%
Karl Klement Properties	7,418,593	8	0.78%	0		0.00%
Glen Polk Ford\Mercury	6,291,084	9	0.66%	4,358,070	9	0.71%
Home Depot USA Inc	6,186,696	10	0.65%	7,528,883	5	1.23%
AEP Industries	-	-	-	10,242,082	3	1.68%
PPG Industries				7,377,189	6	1.21%
Gainesville Properties				7,034,000	7	1.15%
Southwestern Bell Telephone				4,511,496	8	0.74%
Total Assessed Valuation	\$ 955,367,258		18.54%	\$ 609,913,095		14.60%

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 (2)	Delinquent Tax Collections	Total Tax Collections	Ratio of		
						Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes (1)	
2005	\$ 4,206,700	\$ 4,243,373	100.9%	58,732	\$ 4,302,105	102.3%	\$ 284,515	6.8%
2006	4,256,555	4,284,371	100.7%	84,135	4,368,506	102.6%	256,032	6.0%
2007	4,268,873	4,348,545	101.9%	94,604	4,443,149	104.1%	169,873	4.0%
2008	4,872,931	4,779,714	98.1%	66,163	4,845,877	99.4%	237,736	4.9%
2009	5,206,244	5,102,026	98.0%	72,482	5,174,508	99.4%	281,826	5.4%
2010	5,575,182	5,462,636	98.0%	95,116	5,557,752	99.7%	291,174	5.2%
2011	5,501,321	5,324,885	96.8%	90,724	5,415,609	98.4%	238,549	4.3%
2012	5,438,721	5,383,582	99.0%	99,340	5,482,922	100.8%	233,459	4.3%
2013	6,146,923	5,796,740	94.3%	68,403	5,865,143	95.4%	160,433	2.6%
2014	\$ 6,446,676	\$ 6,101,697	94.6%	\$ 49,599	\$ 6,151,296	95.4%	\$ 160,852	2.5%

(1) Source - Cooke County Appraisal District and Tax Assessor/Collector. Fiscal Year to Date Recap Report

(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			
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
2014	\$ 13,975,198	\$ 4,718,750	\$ 0	\$ 0	\$ 8,229,800	\$ 7,914,250	\$ 0	\$ 72,909	\$ 34,910,907	10.65%	2,182

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
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
2014	16,002	863,604,312	22,204,998	1,063,979	21,141,019	2.45%	1,321.15

(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, 2014

Jurisdiction	Total Debt Outstanding	Estimated Percent Applicable	Direct and Overlapping Funded Debt As of 9/30/14
City of Gainesville	\$34,865,000	100.00%	\$34,865,000
<i>Overlapping Debt:</i>			
Cooke County	6,700,000	33.03%	2,213,010
Gainesville ISD	33,889,979	69.78%	23,648,427
Lindsey ISD	585,000	26.06%	152,451
Gainesville Hospital District	21,375,000	36.54%	7,810,425
North Central Texas Community College	14,230,000	33.08%	<u>4,707,284</u>
Subtotal Overlapping Debt	<u>76,779,979</u>		<u>38,531,597</u>
Total Direct and Overlapping Debt	<u>\$111,644,979</u>		<u>\$73,396,597</u>

Ratio of direct and overlapping bonded debt to taxable assessed valuation

7.63%

Per capita direct and overlapping bonded debt

\$4,587

Source: First Southwest Company

**City of Gainesville, Texas
Legal Debt Margin Information**

**Last Ten Years
(amounts expressed in thousands)**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$68,859	\$73,021	\$76,605	\$75,316	\$80,844	\$86,170	\$84,464	\$84,605	\$86,182	\$85,508
Total Net Debt Applicable to Limit	14,526	14,002	17,816	22,394	20,999	19,462	17,790	17,500	13,142	21,141
Legal Debt Margin	\$54,333	\$59,019	\$58,789	\$52,922	\$59,845	\$66,708	\$66,674	\$67,105	\$73,040	\$64,367
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	21.10%	19.18%	23.26%	29.73%	25.97%	22.59%	21.06%	20.68%	15.25%	24.72%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	\$759,712
Add back: exempt real property	95,366
Total assessed value	<u>855,078.00</u>
Debt limit (\$1.50 to total assessed value)	85,508
Debt applicable to limit:	
General Obligation bonds	22,205
Less: Amount set aside for repayment of GO debt	1,064
Revenue Bonds	21,141
Total net debt applicable to limit	
Legal Debt Margin	\$64,367

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	
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
2014	\$ 7,966,390 \$	6,174,754 \$	1,791,636 \$	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)
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	297,365,166	18,583	33	2,787	72.85%	4.00%
2013	16,002	\$ 316,599,570	\$ 19,785	33	2,809	74.82%	4.00%
2014	16,002	\$ 384,272,028	\$ 24,014	34	2,854	82.29%	2.60%

- (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 2014 and 2005

Employer	2014			2005		
	Number of Employees FTE	Rank	Percent of Total County Employment	Number of Employees FTE	Rank	Percent of Total County Employment
WinStar Casino	4000	1	48.67%	-	-	-
Zodiac (formerly Weber Aircraft)	1800	2	21.90%	975	1	25.61%
WalMart	427	3	5.20%	455	4	11.95%
Gainesville State School	372	4	4.53%	320	6	8.41%
Gainesville ISD	380	5	4.62%	-	-	-
North Central Texas College	0	6	0.00%	588	2	15.45%
Select Energy Services	150	7	1.83%	-	-	-
North Texas Medical Center	372	8	4.53%	320	5	8.41%
Cooke County	265	9	3.22%	200	8	5.25%
Complete Energy	257	10	3.13%	-	-	-
Gainesville Factory Shops	-	-	-	400	3	10.51%
Gainesville Memorial Hospital	-	-	-	-	-	0.00%
City of Gainesville	-	-	-	275	7	7.22%
Molded Fiberglass	-	-	-	179	9	4.70%
Duraline FKA Polypipe Inc.	195	-	2.37%	95	10	2.50%
Totals	8,218		100.00%	3,807		100.00%
Total in Gainesville	22735		36.15%	18466		20.62%

Source: Gainesville Economic Development Corporation

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

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	13	13	13	14	12	12	12	13	13	13
Economic Development	1	1	2	4	4	4	5	5	5	5
Community Services	6	5	5	6	5	5	3	5	5	5
Finance	5	5	5	5	4	4	4	4	4	4
Police	57	55	55	55	53	53	53	55	55	55
Fire	41	41	41	42	42	42	42	42	42	42
Public Works	44	36	37	--	--	--	--	--	--	--
Streets	--	--	--	11	7	8	7	7	7	7
Garage	--	--	--	5	4	4	4	4	4	4
Parks	--	--	--	14	13	13	13	18	18	18
Cemetery	--	--	--	5	5	5	5	5	5	5
Golf Course	7	9	9	9	8	8	7	7	7	8
Frank Buck Zoo	13	14	14	14	14	14	14	15	15	15
Water	23	24	24	28	21	21	20	21	21	21
Wastewater	19	18	18	18	18	18	17	17	17	17
Airport	3	3	3	4	3	3	3	3	3	3
Stormwater Utility	2	4	4	4	2	2	2	2	2	2
Solid Waste - Collection	12	13	13	12	12	12	12	13	13	13
Solid Waste - Disposal	6	5	5	5	3	3	2	2	2	2
Total	252	246	248	255	230	231	225	238	238	239

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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Calls for Service	32,283	35,286	31,350	30,830	36,480	39,749	41,769	49,630	51,000	48,655
Arrests	1,623	1,579	1,545	1,318	913	906	1,450	1,005	1,005	661
Municipal Court										
Cases Filed	6,537	6,078	5,480	6,157	6,438	5,264	6,328	5,061	3,472	4,091
Cases Disposed	6,891	6,056	6,095	5,867	6,433	6,434	5,854	5,035	3,506	4,580
Class C Warrants Filed	1,685	1,449	2,191	1,674	1,719	1,656	2,007	1,466	1,413	1,789
Juvenile Cases Filed	308	376	322	449	321	224	225	316	320	175
Fire										
Number of calls	824	890	791	761	667	711	958	793	780	780
Number of fires	199	208	108	137	136	120	195	154	175	242
Rescue/EMS incidents	126	112	146	140	165	173	224	185	175	242
Streets										
Potholes Patched	2,979	2,644	3,259	4,465	4,146	5,498	6,167	6,509	7,941	5,751
Storm drains cleaned	344	539	1,192	967	564	153	126	135	318	122
Miles of streets swept	---	1,240	1,068	1,052	711	527	613	447	860	1,098
Golf Course										
Rounds of golf	---	14,051	10,654	16,619	15,337	11,340	10,739	5,001	7,583	7,853
Community Development										
Building Permits	572	1,226	808	994	775	916	1,069	1,156	1,156	1,156
Value of Building Projects (in thousands)	27,835	20,949	8,429	14,625	1,350	3,008	6,170	15,604	15,604	15,604
Number of Inspections	1,628	1,859	2,897	1,742	1,265	1,074	1,590	1,950	1,950	1,950
Finance										
Number of invoices paid	7,419	6,935	6,734	6,760	6,295	6,467	6,723	6,833	8,019	7,284
Received CAFR award	Yes									
Received Budget Presentation award	N/A	N/A	N/A	N/A	N/A	Yes	Yes	Yes	Yes	Yes
Number of Payroll checks prepared	6,726	6,584	6,134	6,215	6,023	6,080	6,154	5,839	5,880	6,214
Water System										
Number of water customers	5,938	6,097	6,015	6,022	6,089	6,079	6,065	6,121	6,166	6,182
New Connects	1,431	1,336	1,247	1,472	1,398	1,420	1,342	1,345	1,412	1,419
Daily average water consumption (mil gls)	2.6	2.6	1.9	2.4	2.2	2.4	2.0	2.4	2.4	2.4
Maximum daily pumping capacity (mil gls)	6.8	6.8	6.9	6.5	4.9	6.8	6.8	6.8	6.8	6.8
Maximum storage capacity (mil gls)	4.9	4.9	3.8	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	6,013
Daily average treatment(mil gls)	2.8	1.6	1.5	1.3	1.4	1.5	1.4	1.4	1.4	1.6
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	261,815	255,544	292,994	287,528	250,472	230,375	248,265	236,813	216,735	260,944

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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	---	9	15	15	15	15	16	12	12	12
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Fire Hydrants	850	850	850	850	850	850	968	825	825	825
Fire Vehicles	13	13	13	13	13	13	13	13	13	13
Streets										
Miles of streets	120	120	120	120	132	129.71	129.71	129.71	129.71	129.71
Miles of streets maintained by City	90	90	92	92	86	96	96	96	96	96
Street Lights	1494	1506	1506	1565	1565	1581	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	202	202	202	202	202	212	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	124	124	124	130	137.5	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	132	132	132	132	132	132	132	134	134	134
Miles of storm drainage mains	6	6	8	9	10	10	10	10	10	10
Number of Wastewater Treatment Plants	1	1	1	1	1	1	1	1	1	1
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sanitation										
Collection Trucks	14	14	14	14	13	9	12	12	12	12
Long Haul Trucks	5	5	5	5	5	4	4	4	4	4
Heavy Equipment Units	7	7	7	7	4	6	5	5	5	5
Vehicles	---	---	---	2	2	4	4	4	4	4
Carts (1)	0	0	0	0	400	5743	5891	5891	5857	5857
Airport										
Airport acreage	1336	1336	1336	1312	1308	1308	1317	1317	1317	1317
Number of runways	2	2	2	2	2	2	2	2	2	2
Number of hangars	4	4	4	4	6	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 "—".