

City of Gainesville, Texas



Comprehensive Annual Financial Report Fiscal Year Ending September 30, 2018



City of Gainesville

Comprehensive Annual Report
**FOR FISCAL YEAR ENDED
SEPTEMBER 2018**

Prepared by:

Finance Department



The Frankie Schmitz Express

The Frankie Schmitz Express Train is a custom handcrafted quarter size locomotive that was built from blueprints of an 1843 Southern Pacific. The engine was handcrafted by Roy and Ray Avey, owners of Avey Plastics, Nemsco Corporation in San Marcos in 1971. The brothers converted part of their shop to a machine metal shop to build the front engine.

Along with the Avey Brothers, the train passenger's car were built by Raymond L. Czichos and his son Raymond W. Czichos owners of Pioneer Town.

The original home for the train, The P. T. & P (Pioneer Town & Pacific #1), was located in Wimberley Texas, Pioneer Town. The train hosted thousands of visitors through Pioneer Town for over 30 years.

In 1999 the Gainesville Economic Development Corporation purchased the P. T. & P along with the tracks. City of Gainesville employees drove down to Wimberley and brought it to Gainesville Texas.

Under the watchful eye of the Gainesville Public Works Department, led by Jim Gray, Jerry Woods and Alan Stanley, the train and tracks were refurbished and made ready for new visitors in Leonard Park.

During the summer of 2001 a group of Gainesville citizens came together to erect the train barn, train ticket booth and the water tower in preparation of the inaugural train run set for July 4, 2001.

Currently the Frankie Schmitz Express Train is managed by the Gainesville Parks and Recreation Department. The Frankie Schmitz Express operates from March through October. Traveling around Leonard Park twice an hour, seven days a week serves our guests who visit the Zoo and the Aquatic Center in Leonard Park. As of March 2019, the train has had over 420,000 riders!

The Frankie Schmitz express train consist of an engine and coal car that pulls two passenger cars and a caboose. These cars and passengers tour Leonard Park on a 15 minute journey, on a 24 gauge track.



Government Finance Officers Association

**Certificate of
Achievement
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Presented to

**City of Gainesville
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrill

Executive Director/CEO

City of Gainesville, Texas
 Comprehensive Annual Financial Report
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Introductory Section



March 25, 2019

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, 2018, is hereby submitted as mandated by both 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. 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, but not absolute, 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 costs and benefits requires estimates and judgments by management. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City Council contracts with Schalk and Smith Certified Public Accountants. The independent auditor has issued an unqualified ("clean") opinion on the City's financial statements for the year ended September 30, 2018, and the auditor's report is located at the front of the financial section of the Comprehensive Financial Report.

Management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditors' report.

GENERAL INFORMATION — CITY OF GAINESVILLE

The City is located in North Central Texas and was originally incorporated in 1873, with the first Charter being 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 16,502. 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 years, 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 and pleasure 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 stormwater 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, Nortex, and multiple telephone companies.

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 Project 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.

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.

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.

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, Texas, 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 include the North Texas Medical Center and North Central Texas College in addition to 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 (3.10% vs. 3.80% and 3.70%, respectively). The new business development and diversity of economy are the main reasons for this lower unemployment rate. Continued oil and gas production in the United States along with additional business development will help to keep the unemployment rate low. 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 2017-2018:

- Major development continues along I-35 between Highway 82 and California Street with First State Bank's construction efforts being nearly complete on a new Bank Headquarters and Operations Center (\$18,000,000), while Chick-fil-A is starting to build a new restaurant (\$925,000). A little farther south on I-35, a Fairfield Inn (\$3,037,000) and a Red River Stop Travel Center (\$1,200,000) are nearing the end of construction. A Villa Grande restaurant (\$456,000) has completed its finish out in the Elm Creek Crossing strip center.
- The \$3,000,000 Grand Avenue Express Truck Stop started construction and anticipates completion during 2019.
- ORTEQ began construction of a \$2.4 million, 23,287-square-foot manufacturing facility and completed construction of a \$300,000 paint booth for its existing facility.
- Trident Process Systems added a \$1.6 million, 21,000-square-foot weld shop that was completed in December 2018.
- Murphy USA demolished its older gas station and is constructing a new \$1.75 million gas station to be completed during 2019.
- The City's total debt outstanding increased by \$2.36 million in 2018.
- Approximately \$3.17 million was spent on Street Utility Maintenance Program (SUMP) in 2018.
- The City substantially completed the upgrade to the wastewater treatment plant with a total completion cost of \$16.65 million.
- Gainesville's net capital assets increased by \$4.84 million or 17.29% through the investment of bonds funds and cash into new infrastructure.

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 lawsuits which can take several months and can change the total



assessed valuation. The tax levy is calculated at a 95% collection rate, as 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 2018 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	2018	2017	2016	2015	2014
General	0.467740	0.432900	0.445595	0.443426	0.455078
Debt Service	0.254800	0.272130	0.252227	0.244396	0.200922
Total	0.722540	0.705030	0.697822	0.687822	0.646000

For fiscal year 2018, the Total Assessed Taxable Value increased by \$106,270,606 or 10.18%.

Long-term Financial Planning

In order to provide the City with pertinent data to make decisions for multi-year policy direction, master plans have been developed with the help of third party consultants. The documents focus on City needs for twenty or more years. These plans provide reasonable long-term objectives and realistic costs (at the time of the study), but the plans do not set practical methods for funding the improvements.

Gainesville examines its debt schedule annually to determine when it can issue debt for the succeeding 20 years without increasing the tax rate. Currently, the City can issue a total of \$27.30 million (FY 2022 - \$7.63 million, FY 2026 - \$2.04 million, FY 2028 - 1.87 million, FY 2030 - \$2.74, FY 2034 - \$4.20 million, FY 2036 - \$3.78 million, and FY 2037 - \$5.04 million) in the next twenty years without increasing the tax rate to help reach its long-term goals. The City Council will not approve a bond that increases the tax rate without voter approval.

The City utilizes the master plans along with the debt schedule to create a five-year capital improvement program (CIP), which is fiscally constrained by the five-year budget. The CIP and five-year budget are used as planning tools and do not commit the City to any project or project funding. The intent of the CIP and five-year budget 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 and five-year budget for fiscal years 2019-2023 were approved by the City Council and are included in the fiscal year 2019 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 \$42.46 million in total capital expenditures. The CIP breaks these expenditures into two separate categories: recurring at \$8.09 million or 19.05% and non-recurring at \$34.37 million or 80.95%.

Financial Policies

The City is required by ordinance to maintain a ninety (90) day reserve. At the close of fiscal year 2018 the City had a 202-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.

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 its Comprehensive Financial Report for the fiscal year ended September 30, 2017. This was the twenty-seventh (27th) 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.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting its eligibility for another certificate.

In addition to the Certificate of Achievement, the City has also received GFOA's Distinguished Budget Presentation Award for the past nine years. 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 2019 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 contribution to the completion of this report.

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

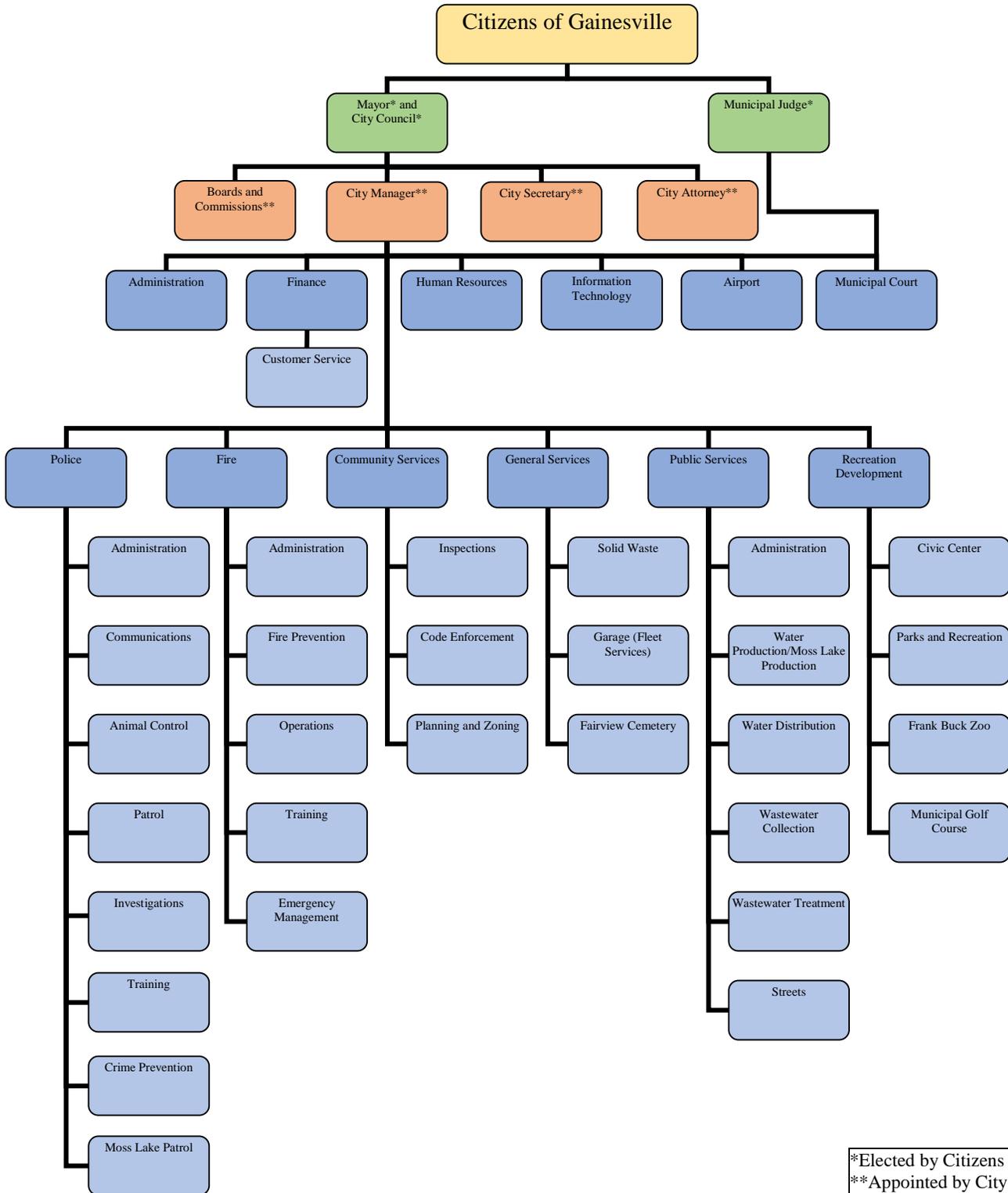
Sincerely,

Barry Sullivan
City Manager

J. I. Johnson, CPA
Finance Director

Karen F. Dixon, CPA
Controller

City of Gainesville, Texas Organizational Chart



*Elected by Citizens
**Appointed by City Council

CITY OF GAINESVILLE, TEXAS
September 30, 2018

LIST OF PRINCIPAL OFFICIALS

Title	Name
Mayor *	Jim Goldsworthy
Council Member & Mayor Pro Tem*	Keith Clegg
Council Member*	Carolyn Hendricks
Council Member*	Ken Keeler
Council Member*	Tommy Moore
Council Member*	Mary Jo Dollar
Council Member*	Steve Gordon
City Manager**	Barry L. Sullivan
City Secretary **	Caitlyn Huddleston
City Attorney**	Bill Harris
Finance Director	J.I. Johnson
Police Chief	Kevin Phillips
Municipal Court Judge *	Chris Cypert
Fire Chief	Wayne Twiner
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
200 South Rusk
Gainesville, Texas 76240

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, 2018, and the related notes to the financial statements, which collectively comprise the City of Gainesville, Texas'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, 2018, 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.

Change in Accounting Principle

As discussed in Note I.C. to the financial statements, in 2018 the City adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other 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 budgetary comparison schedules for major and nonmajor funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and budgetary comparison schedules for major and nonmajor funds 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 budgetary comparison schedules for major and nonmajor funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2019, 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 the City of Gainesville, Texas's internal control over financial reporting and compliance.



Schalk & Smith, P.C.
March 11, 2019

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2018

As Management of the City of Gainesville (the City), 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, 2018. Please read the following in conjunction with the enclosed letter of transmittal and basic financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City of Gainesville exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$58,887,639 (net position) (pg. 7 and 24). Of this amount, \$19,008,466 or 32.3% is unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased \$4,635,661 or 8.5% (pg. 8) from last fiscal year's net position. The governmental net position increased \$1,942,524 or 6.8% and the business type activities increased \$2,798,150 or 10.5%.
- 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 at the close of FY 2018 was \$8,924,989 (pg. 27) and of that amount \$8,628,424 is cash. This represents 202 days of operation. The City exceeded its revised budget General Fund deficit of \$(1,165,020) by \$1,190,020.
- The City's total debt outstanding increased by \$4,144,094 or 10% (pg. 18) during the current fiscal year.

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 accrual basis 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

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2018

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, Gainesville Economic Development Corporation, for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 24 through 26 of this report.

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

Governmental Activities – Most of the City's basic services are reported here, including general government, police and fire protection, planning for future land use, traffic control, building inspection, public health, parks, 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, 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. Such information may be useful in evaluating a government's near-term financing requirements.

City of Gainesville, Texas
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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 funds Balance Sheet and the governmental funds 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 reports twenty-one (21) individual governmental funds, two of which are permanent. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Debt Service Fund, and the 2018 CO Bonds Fund, which are considered 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. The City's governmental funds begin on page 27 of 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.

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 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 services, stormwater drainage, and the municipal airport all of which are considered 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. The proprietary funds begin on page 33 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements also present certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. The notes begin on page 39 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *supplementary information* concerning budgetary compliance of the City's progress in funding its obligation to provide pension benefits and other post-employment benefits (OPEB) to its employees. Required supplementary information begins on page 80 of this report.

City of Gainesville, Texas
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A budgetary comparison 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, 2018 were \$114,771,332; deferred outflows of resources were \$1,411,374, total liabilities were \$55,907,870, and deferred inflows of resources were \$1,387,197, resulting in a net position balance of \$58,887,639 (pg. 7 and 24). This is a 8.5% increase from the prior fiscal year.

The City's total net position equals \$58,887,639. A portion of the net position, \$7,055,924 or 12.0% represents resources that are subject to restrictions on how they may be used (pg. 7 and 24). The restricted net position has decreased over the prior year by \$1,788,838 or 20.2%. This decrease is recognition of construction in progress that is complete. Capital assets (land, buildings, machinery, and equipment) net of related debt total \$32,823,249 or 55.7% of total net position. This represents an increase of \$4,837,700 or 17.3% compared to the prior year. The second largest portion of the City's net position, \$19,008,466 or 32.3% of net position reflects unrestricted net position, which may serve the ongoing desires of its citizens.

The following table reflects the condensed Statement of Net Position as of September 30, 2018 (page 24):

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City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2018

Net Position

	Governmental Activities		Business Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$28,701,644	\$26,898,786	\$8,343,612	\$8,676,743	\$37,045,256	\$35,575,529
Restricted Cash	-	-	4,329,628	3,379,273	4,329,628	3,379,273
Capital Assets	29,830,269	25,955,652	43,566,179	39,415,379	73,396,448	65,371,031
Total Assets	58,531,913	52,854,438	56,239,419	51,471,395	114,771,332	104,325,833
Deferred Outflow of Resources Related to Pensions, OPEB, and Loss of Refunding	1,019,347	2,448,419	392,027	648,396	1,411,374	3,096,815
Long-term Liabilities Outstanding	23,955,234	22,907,737	24,972,199	23,664,461	48,927,433	46,572,198
Other Liabilities	3,998,111	3,860,661	2,982,326	2,697,108	6,980,437	6,557,769
Total Liabilities	27,953,345	26,768,398	27,954,525	26,361,569	55,907,870	53,129,967
Deferred Inflows of Resources Related to Pensions	1,153,993	33,061	233,204	7,642	1,387,197	40,703
Net Investment in Capital Assets	9,603,733	8,390,227	23,219,516	19,595,322	32,823,249	27,985,549
Restricted	7,055,924	8,844,766	-	-	7,055,924	8,844,766
Unrestricted	13,784,265	11,266,405	5,224,201	6,155,258	19,008,466	17,421,663
Total Net Position	\$30,443,922	\$28,501,398	\$28,443,717	\$25,750,580	\$58,887,639	\$54,251,978

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2018

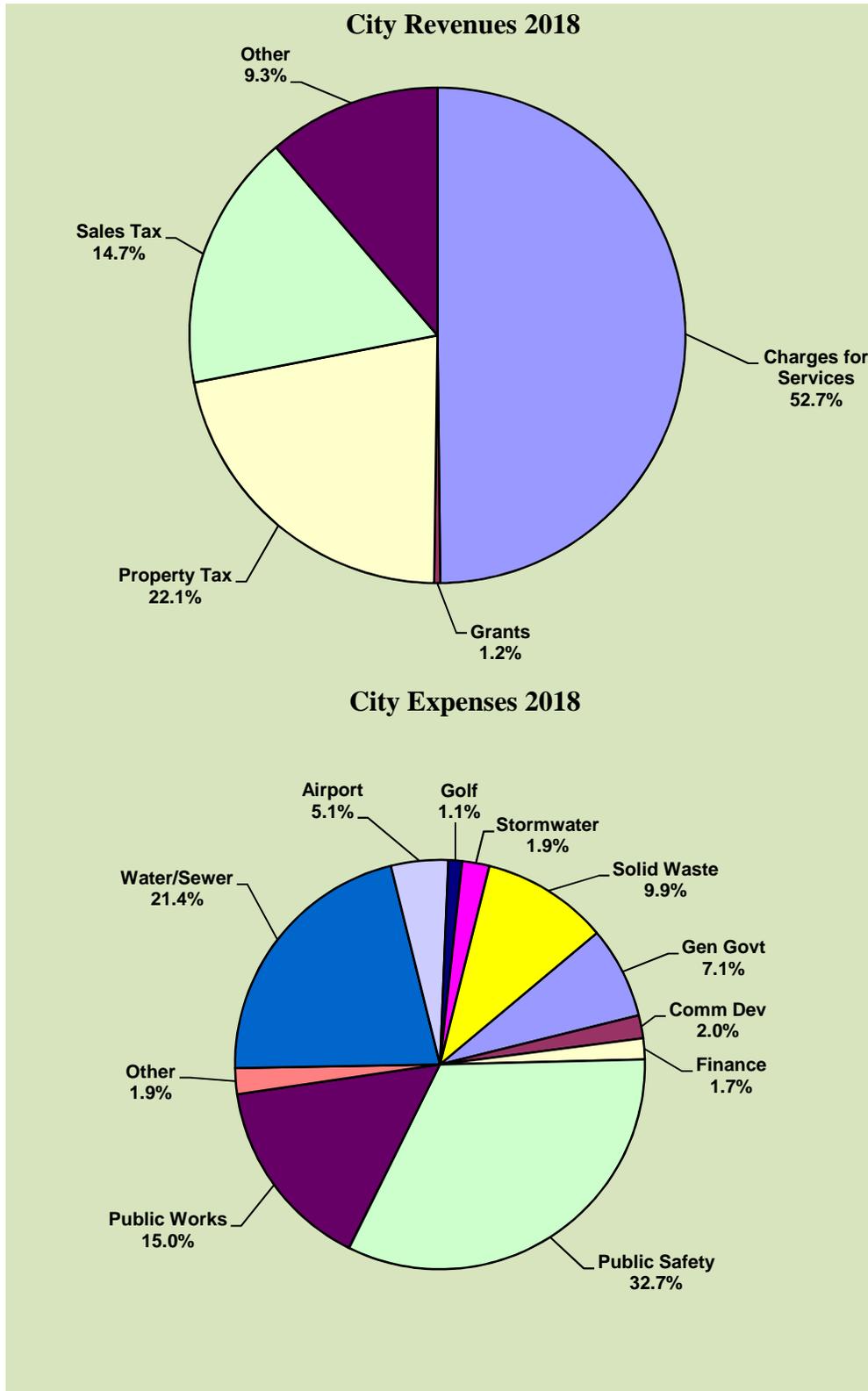
The following table provides a summary of the city's operations for the year ended September 30, 2018. Overall, the city had an increase in net position of \$4,635,656.

Changes in Net Position

	Governmental Activities		Business Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Fines, Fees, and Charges for Services	\$2,291,002	\$2,044,110	\$15,483,436	\$14,005,598	\$17,774,438	\$16,049,708
Operating Grants & Contributions	398,314	91,970	21,448	34,722	419,762	126,692
General Revenues:						
Property Taxes	7,436,261	7,003,766	-	-	7,436,261	7,003,766
Sales Taxes	4,958,203	5,403,311	-	-	4,958,203	5,403,311
Other Taxes and Fees	1,992,681	1,861,467	-	-	1,992,681	1,861,467
Other Misc.	470,927	602,433	649,501	1,169,649	1,120,428	1,772,082
Total Revenues	17,547,388	17,007,057	16,154,385	15,209,969	33,701,773	32,217,026
Expenses:						
General Government	2,034,864	2,007,940	-	-	2,034,864	2,007,940
Community Development	564,677	501,330	-	-	564,677	501,330
Finance	473,764	457,878	-	-	473,764	457,878
Public Safety	9,333,202	9,075,713	-	-	9,333,202	9,075,713
Public Works	4,286,595	4,256,146	-	-	4,286,595	4,256,146
Interest on Long Term Debt	537,896	564,734	-	-	537,896	564,734
Bond Issuance Cost	60,538	-	-	-	60,538	-
Water & Sewer	-	-	6,072,866	5,940,976	6,116,223	5,940,976
Municipal Airport	-	-	1,446,481	1,250,031	1,443,501	1,250,031
Golf Course	-	-	320,271	298,029	310,556	298,029
Stormwater	-	-	547,183	595,174	547,183	595,174
Solid Waste	-	-	2,828,231	2,773,845	2,837,946	2,773,845
Total Expenses	17,291,536	16,863,741	11,215,032	10,858,055	28,506,568	27,721,796
Increase(Decrease)in Net Position Before Transfers	255,852	143,316	4,939,353	4,351,914	5,195,205	4,495,230
Transfers In (Out)	2,141,203	2,322,564	(2,141,203)	(2,322,564)	-	-
Increase(Decrease) in Net Position	2,397,055	2,465,884	2,798,150	2,029,350	5,195,205	4,495,230
Net Position 10/01	28,501,398	26,035,518	25,750,580	23,721,230	54,251,978	49,756,748
Cumulative Effect to Implement GASB75 Net Position 10/01	(454,531)	-	(105,013)	-	(559,544)	-
Restated 10/01	28,046,867	26,035,518	25,645,567	23,721,230	53,692,434	49,756,748
Net Position 09/30	\$30,443,922	\$28,501,398	\$28,443,717	\$25,750,580	\$58,887,639	\$54,251,978

**City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2018**

The following graphs provide a summary of the operations for the year ended September 30, 2018.



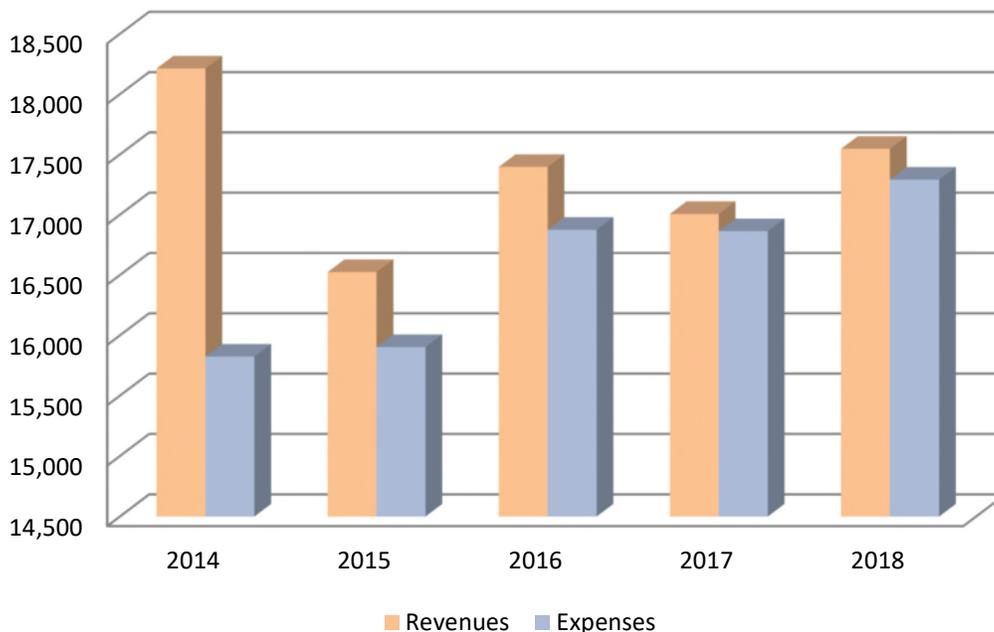
City of Gainesville, Texas
Management's Discussion and Analysis
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Governmental Activities The statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Both are prepared using the economic resources focus and the accrual basis 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).

Revenues from governmental activities increased over the prior year by a net amount of \$540,331, or 3.2%, despite a substantial refund of sales tax revenue in fiscal year 2018 resulting from a multi-period sales tax audit. Property taxes, the largest governmental revenue source, increased \$432,495 or 6.2% due to increased real property valuations and an increase in the effective tax rate. Other revenue increases included \$306,344 in operating grants and contributions; \$246,892 in fines, fees, and charges for services; and \$131,214 in other taxes and fees revenue. Expenses of governmental activities also grew over the prior year, though by a smaller amount of \$427,795 or 2.5%. The most significant change among the governmental activities expenditures was an increase of \$257,489 for public safety due primarily to increased expenditures for payroll and employee benefits.

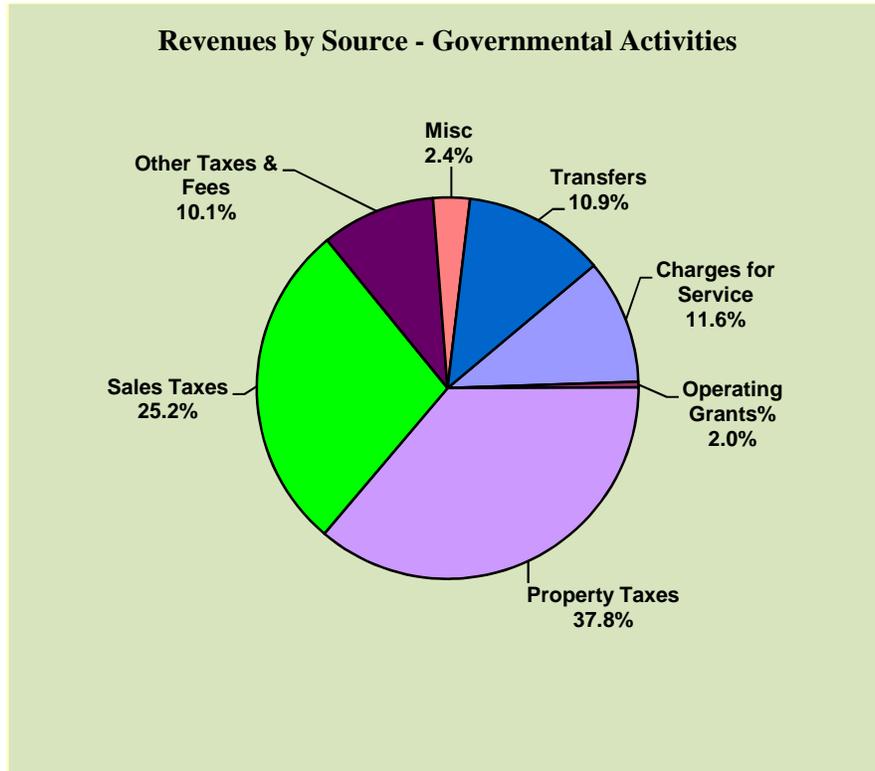
The following graph depicts the five-year history of the expenses and revenues.

Five Year History
(In Thousands)

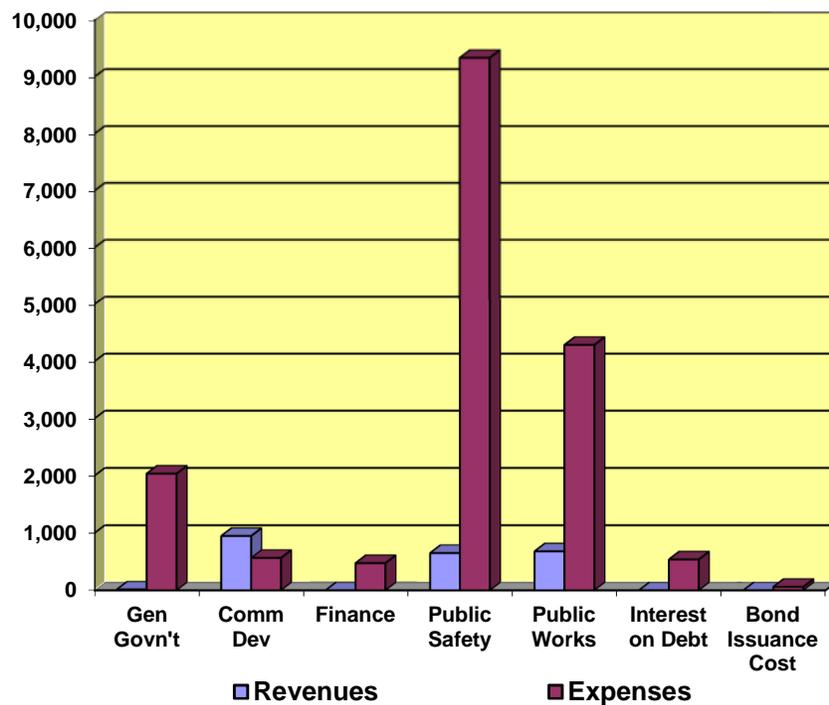


City of Gainesville, Texas
Management's Discussion and Analysis
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The following graphs depict current year revenues and expenditures by source.



(In thousands)



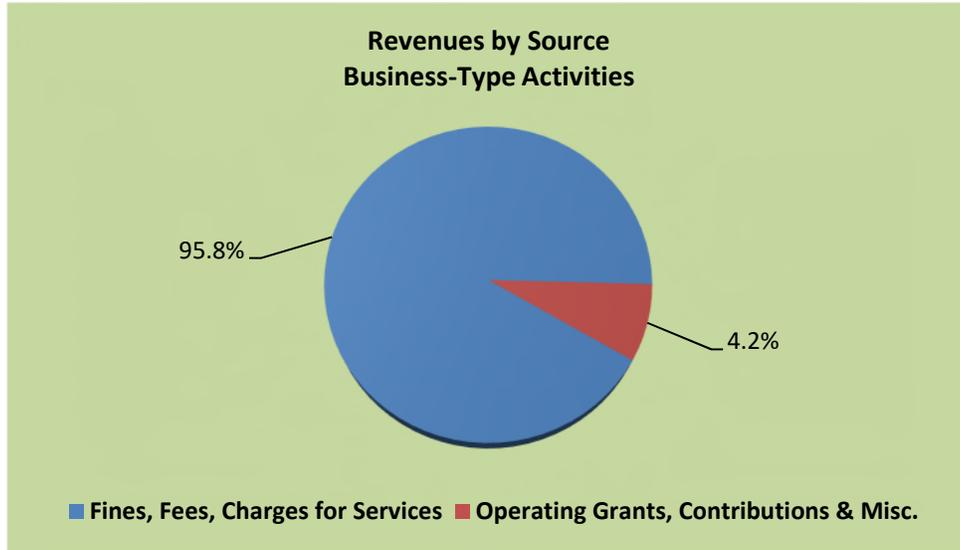
City of Gainesville, Texas
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Business-Type Activities. Total business-type activities increased net position by \$2,798,150 or 10.5%. Key elements to the change in net position are as follows:

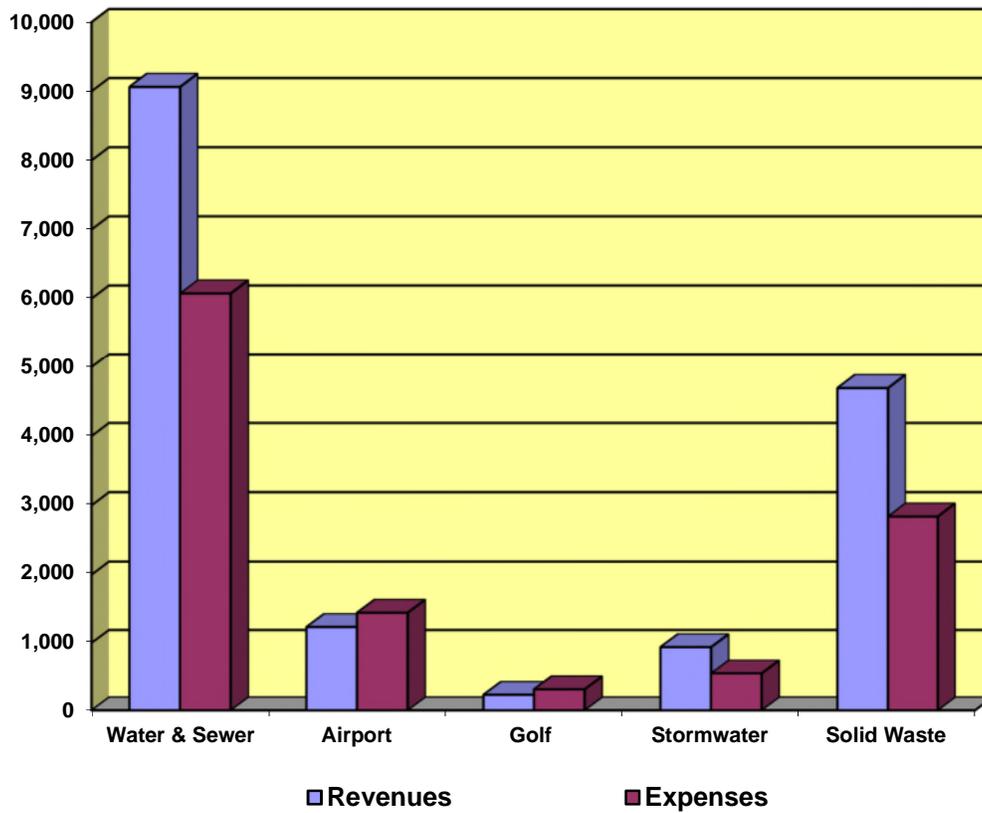
- Revenues increased \$984,794 or 6.5%. Of this amount, fines, fees, and charges for services revenue increased by \$1,477,838 or 10.6% as a result of increases in program revenues for water and sewer, solid waste, the municipal airport, and the City's golf course.
- Water Fund revenues, both operating and nonoperating, increased by \$270,015 or 3.1% over fiscal year 2017 due to increases in residential, commercial, and multifamily water sales and wastewater charges as well as the installation of more accurate water meters.
- The revenues of the municipal airport decreased \$48,340 or 3.8% primarily due to the sale of 20 acres of land recognized in the prior year.
- Revenues at the golf course increased \$33,082 or 16.9% primarily due to increase in charges for services.
- Revenues in the Solid Waste Fund increased \$698,143 or 17.5% compared to the prior year primarily due to increases in roll-off fees and transfer station fees.
- Revenues in the Stormwater Fund decreased \$8,485 or 0.9% due to decreased commercial storm water revenue.
- Total overall expenses in the proprietary funds increased by \$356,977 or 3.3% in fiscal year 2018.
- The one fund that showed a decrease in expenses, as compared to the prior year, was the Stormwater Fund (\$47,991 or 8.1%) (pg. 8) primarily because of decreases in supplies, materials, and contractual services expenditures.
- All other enterprise funds' 2018 expenses increased over the prior year totals. Water and Sewer Fund expenses increased \$131,890 or 2.2% due to increased costs for personnel, supplies, maintenance, and contractual services. The Airport Fund expenses increased by \$196,450 or 15.7% primarily due to an increase in fuel costs resulting from greater fuel sales during the year. Expenses for the golf course increased \$12,527 or 4.2% primarily as a consequence of repairs and improvements made to the pro shop. Solid Waste expenses increased \$64,101 or 2.3% primarily due to increases in supplies, materials, and contractual services expenditures.

The net increase to the Water and Sewer Fund was \$2,114,574 or 27.6%. The net increase to the Solid Waste Fund was \$791,671 or 33.4%. The net decrease to the Municipal Airport Fund was \$168,249 or 5.5% as a result of depreciation and increases in supplies and materials expenditures. The net decrease to the Stormwater Fund was \$121,807 or 1.0% primarily due to increases in supplies, materials, and contractual services expenditures. The net increase to the Golf Fund was \$76,947 or 110.6% due to the increased revenues from charges for services as noted above.

**City of Gainesville, Texas
 Management's Discussion and Analysis
 For the Year Ended September 30, 2018**



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



City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2018

Financial Analysis of the Government's Funds Statements

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

As of the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$25,910,409, an increase from the prior year of \$1,372,038 or 5.6% (pg. 28 and 31). Fund balances are classified as follows:

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

Approximately \$8,916,457 or 34.4% (pg. 27 and 28) constitutes the unassigned fund balance, which is reported in the General Fund and available for spending at the government's discretion. The remainder of the fund balance is not available for general spending and is classified as follows: Non-spendable \$1,575,376 or 6.1%, Restricted \$9,239,106 or 35.7%, and Assigned \$6,179,470 or 23.8% (pg. 27-28).

The General Fund is the chief operating fund of the City. At the end of fiscal year 2018, the fund balance in the General Fund was \$8,924,989 (page 27), of which \$8,628,424 is cash. There was a net increase in General Fund fund balance of \$25,000 or 0.3% for the year.

Key factors in increases in other governmental fund balances are:

- The Debt Service Fund is utilized for retirement of debt financed through taxes. This fund has a restricted fund balance of \$1,446,193 (pg. 27 and 30). It increased during the year by \$74,310 or 5.4%. A key factor in the increase of fund balance was an overall decrease in total expenditures of \$80,639 or 3.2% from fiscal year 2017. The expenditure decrease primarily occurred as the result of savings in debt service and related costs of \$84,812 or 4.0%.
- The Assigned Projects Fund has a restricted fund balance of \$2,733,783 (pg. 92 and 96). This fund balance increased during the year by \$214,179 or 8.5%. A decrease in fund balance is generally expected in the Assigned Projects Fund since all capital assets from completed projects are recognized in the General Fund. However, the City Council passed an ordinance at the end of 2018 directing excess revenues of the General Fund above \$25,000 be transferred into this fund. The amount of this transfer was \$1,751,278.

City of Gainesville, Texas
Management's Discussion and Analysis
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- The Cable Peg Fee Fund has a restricted fund balance of \$132,720 (page 91 and 95). This represents a \$14,565 or 12.3% increase from the prior year. Revenues were lower than budget by \$8,435 or 36.7%; however, because this fund had no expenditures, there was a positive increase to fund balance (pg. 95).
- The 2018 CO Bond Fund, which was established for constructing a new fire station and continuing the City's SUMP for reconstructing streets, has a restricted fund balance of \$3,750,026 (page 27). The 2018 CO Bond also provided funds for a new transfer station, which is reported in the Solid Waste Fund.
- The 2014 GO Bond Fund has no remaining fund balance at September 30, 2018; however, during fiscal year 2018, this fund was used to complete the reconstruction of Broadway Street and Lindsay Street with expenditures totaling \$1,087,134 (page 97).

Key factors in decreases in other governmental fund balances are:

- The Hotel/Motel Fund accounts for occupancy tax revenues and expenditures and shows an ending restricted fund balance of \$149,918 (pg. 90 and 94). This constitutes a \$541,864 or 78.3% fund balance decrease from the prior year. It should be noted, though, that the City transferred \$679,995 to the construction project fund for improvements to the Farmers Market, which was a fiscal year 2018 budgeted project, in order to transform it into a performance venue. When completed, the improvements to the Farmers Market will be recognized as an asset in the General Fund.

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. 33 through 38). Unrestricted net position of the Water and Sewer Fund is \$2,250,499; the Solid Waste Fund \$2,109,001; Stormwater Utility Fund \$631,205; Municipal Airport Fund \$313,970; and the Golf Course Fund with an unrestricted net position of a negative \$80,474.

At fiscal year-end 2018, Gainesville's Water and Sewer Fund had a cash balance of \$3,053,202. Solid Waste Fund cash balance was \$2,665,771. Stormwater Utility Fund cash was \$554,511. Airport Fund cash was \$395,793, and Golf Fund cash was \$305.

Business-type activities increased the City's net position by \$2,798,150 or 10.9% (pg. 8 and 26). Funds categorized as business-type activities that saw an increase in net position include Water and Sewer; Solid Waste; and Golf. Business-type activities that experienced a decrease in net position were Stormwater and the Airport. The following are the key elements of these increases/decreases:

- The Water and Sewer Fund saw an increase in net position of \$2,177,844 or 28.6% (page 35) and an increase in net Capital Assets of \$4,446,030 or 23.2% (pg. 33) primarily due to the second phase of the City's wastewater treatment plant project and construction of the new Gateway Water Tower.
- The Solid Waste Fund increased in net position by \$820,139 or 35.0% and had a decrease in net capital assets of \$257,379 or 13.2%. Operating revenues increased \$494,154 or 12.0% over the prior year primarily because of an increase in services revenue.

City of Gainesville, Texas
Management's Discussion and Analysis
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- The Stormwater Fund experienced a decrease in net position of \$120,408 or 0.9% due to the increase in transfers made to the General Fund as noted previously. However, its net capital assets increased by \$102,147 or 0.7%.
- Net position of the municipal airport decreased by \$168,249 or 5.5%. Repairs and maintenance expenses increased \$192,843 primarily due to improvements and renovations made to the airport facilities.
- The Golf Course Fund's total net position increased \$83,405 or 109.7% after inclusion of \$165,362 transfers in from the General Fund.

General Fund Budgetary Highlights

For fiscal year 2018, the City budgeted an overall deficit or decrease in the General Fund of \$2,981,889 (page 81) due to the notification that a substantial amount of prior sales tax revenue would have to be refunded as an outcome of a multi-year sales tax audit. During 2018, however, actual General Fund revenues exceeded projections by approximately \$2.3 million (page 80), and actual expenditures totaled approximately \$374,000 less (page 81) than budgeted. As a result, at the close of fiscal year 2018, the City Council approved an ordinance directing that any excess funds in the General Fund be placed into the City's Assigned Projects Fund. Accordingly, \$1,751,278 was transferred from the General Fund into the Assigned Projects Fund at year-end (page 96), which will be used for additional capital improvements going forward.

General Fund revenues in the original budget for fiscal year 2018 were increased in the final budget by \$1,906,531 or 19.5% (page 80). The actual revenue total at year-end was more than the final budget by \$2,263,967 or 19.4%. Actual revenue finished greater than the final budget mainly due to higher than budgeted sales tax by \$1,410,085. In addition, ad valorem tax (\$116,924); service charges (\$127,275); beverage taxes (\$1,779); licenses and permits (\$153,898); fines and forfeitures (\$169,544); investment income (\$72,965); intergovernmental revenues (\$29,214); and donations (\$195,217) all exceeded budget.

A comparison of actual expenditures to budget shows that out of the twenty departments in the General Fund, nineteen came in under budget for the fiscal year (page 80). The actual total expenditures for fiscal year 2018 were under the final budget by \$373,794 or 2.4%. Capital outlay ended the year over the final budget by \$239,153 or 30.7%. Of this capital overage, \$183,550 is attributable to the recording of a donated street located behind the Quick Trip travel plaza, the cost of which was matched by donation revenue of the same amount. The only General Fund departments over budget for fiscal year 2018 were the Fire Department and Debt Service. The \$36,200 budget overage for Fire (page 80) is attributed to overtime paid to fire rescue teams sent for swift water rescues in other parts of the state during 2018 as well as benefits costs related to the unanticipated retirements of certain fire personnel. In the case of overtime paid for rescue teams, this overage was effectively offset by additional grant revenues totaling \$29,214 received by the City as reimbursement for a portion of the salaries of emergency management personnel. With respect to benefits paid to the retired personnel, it's worth noting that such expenses did serve to reduce the City's overall retirement liability at the end of fiscal year 2018.

The \$8,924,989 actual ending fund balance is \$1,190,020 (page 81) more than the revised budgeted amount.

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2018

Capital Asset and Debt Administration

The largest portion of the City's net position, \$32,823,249 or 55.7% (page 7), reflects its investment in capital assets (land, improvements, buildings, infrastructure, vehicles, machinery, and equipment), less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City reports its capital assets net of related debt, the resources needed to repay the debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018 amounts to \$73,396,448 net of accumulated depreciation (pg. 7 and 24). The City's net capital assets increased \$8,025,417 or 12.3%. This increase is comprised of an increase of \$3,874,617 or 14.9% from capital assets within governmental activities and increased capital assets by \$4,150,800 or 10.5% from the business-type activities.

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

- The City continued the street improvement project. Gainesville expended \$3,170,399 on SUMP projects in fiscal year 2018.
- Phase Two of the Wastewater Treatment Plant was substantially completed although the City had not yet placed the assets in service as of September 30, 2018.
- The City began two capital projects to renovate and improve the Farmers Market and to construct the new Gateway Water Tower. Expenditures for Farmers Market totaled \$1,048,302, and the water tower totaled \$1,052,773 during fiscal year 2018.
- \$5,651,231 in capital assets in business-type activities were acquired during fiscal year 2018. \$5,930,485 in capital assets in governmental activities were acquired during the fiscal year.

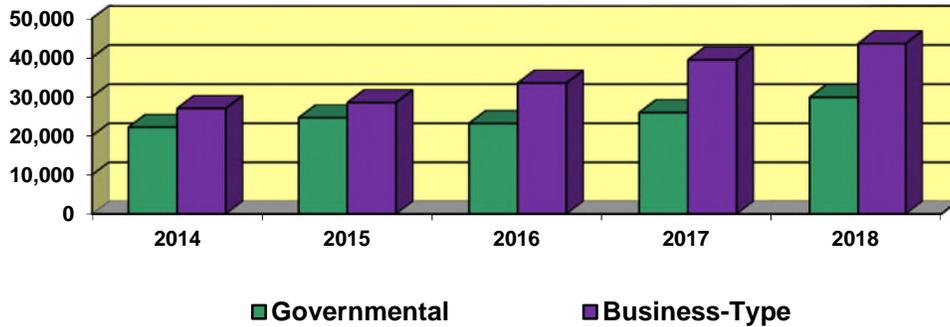
Additional information on the City's capital assets is found in note III D (pg. 52-55) of this report.

City of Gainesville
Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$3,802,267	\$3,563,803	\$7,131,759	\$7,131,759	\$10,934,026	\$10,695,562
Buildings	10,035,705	10,035,705	8,826,316	8,328,316	18,862,021	18,364,021
Improvements	88,368,830	86,359,410	38,587,658	37,115,529	126,956,488	123,474,939
Machinery & equipment	9,753,807	8,985,144	10,327,872	10,675,544	20,081,679	19,660,688
Construction in progress	8,406,320	5,955,929	11,476,825	7,074,880	19,883,145	13,030,809
Less accumulated depreciation	(90,536,660)	(88,944,339)	(32,784,251)	(30,910,649)	(123,320,911)	(119,854,988)
Total	\$29,830,269	\$25,955,652	\$43,566,179	\$39,415,379	\$73,396,448	\$65,371,031

City of Gainesville, Texas
Management's Discussion and Analysis
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Capital Assets (net)
Five Year History
(in thousands)

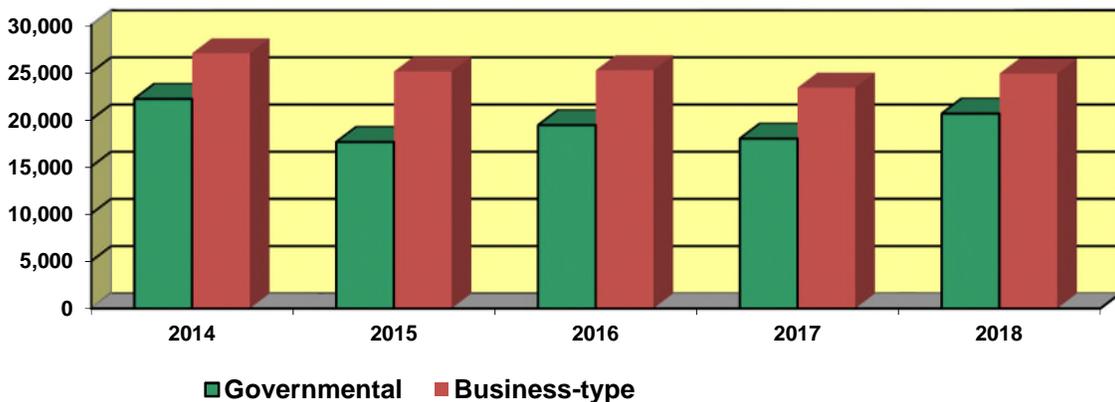


Long-Term Debt. As of September 30, 2018, the City of Gainesville had total debt outstanding of \$45,490,947 (see note III F. pg. 55-62). Of this amount, \$20,628,292 is in the governmental activities (pg. 56) and \$24,862,655 (pg. 59) is in the business-type activities. The City's total debt increased \$4,144,094 or 10% during fiscal year 2018. This increase is the result of \$8,848,385 in issues of bonds and capital leases, net of refunded debt, less \$4,704,291 in principal payments of debt.

City of Gainesville
Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$13,523,263	\$14,812,775	\$3,881,737	\$4,977,228	\$17,405,000	\$19,790,003
Certificates of obligation bonds	6,204,610	2,356,500	20,050,390	17,403,500	26,255,000	19,760,000
Premium/Disc. /Capital leases	900,419	801,446	930,528	995,404	1,830,947	1,796,850
Total	\$20,628,292	\$17,970,721	\$24,862,655	\$23,376,132	\$45,490,947	\$41,346,853

Outstanding Debt
Five Year History
(in thousands)



City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2018

For the 2018 fiscal year, the City retained a bond rating of “Aa3” with Moody and “AA-“ with Standard & Poor. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on long-term debt.

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

Economic Factors and Next Year's Budgets and Rates

The continued focus of the City of Gainesville is to maintain unassigned fund balances that match the City 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. The fiscal year 2019 budget will utilize \$2,991,110 for improvements to the City including upgrading the Farmers Market and Commerce Street \$1,700,000; continuing the reconstruction of Culberson Street \$608,000; and other governmental capital projects \$683,110.

The City's demolition program continues to create open space for additional commercial and residential infill development. Thirty-four structures were demolished in fiscal year 2018. Five new homes were built on residential infill lots, and two more began construction. Because of the demand for housing, the program is beginning to see an increase in the number of wholesale remodels for older and otherwise substandard residential structures. Two were completed during the year, and five more started. These new and remodeled homes constructed within established neighborhoods modernize residential areas and raise overall property tax values.

In addition to the redevelopment of residential neighborhoods, two subdivisions have experienced significant growth. The Vintage Square Subdivision continues on its course toward build-out. This year, 23 new houses were built, and nine more were begun. Phase One of the Black Hill Farm subdivision contains 42 lots and began building this year. In addition to selling three of the four model homes, the subdivision completed its first owner-ordered home with three more under construction. Besides these two subdivisions, a new subdivision – Aspen Addition – is under review.

Gainesville's commercial development continues to grow and reflects an increasingly diverse overall economy including non-petroleum businesses as indicated by the following projects:

- First State Bank's construction efforts are nearly complete, and they anticipate opening their new five-story Bank Headquarters and Operations Center (\$18,000,000) just north of the corner of I-35 and Highway 82 in early Spring 2019.
- The \$7,000,000 Wesley House Assisted Living and Wesley Oaks Memory Care facility began construction and is anticipated to open by Spring 2019.
- QT (\$3,658,000) completed its convenience store and travel plaza located at the corner of I-35 and Highway 82.
- The Fairfield Inn (\$3,037,000) continued construction of a four-story hotel with completion anticipated during 2019.

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2018

- The \$3,000,000 Grand Avenue Express Truck Stop started construction and anticipates completion during 2019.
- ORTEQ began construction of a \$2.4 million, 23,287-square-foot manufacturing facility and completed construction of a \$300,000 paint booth for its existing facility.
- Trident Process Systems added a \$1.6 million, 21,000-square-foot weld shop that was completed in December 2018.
- Murphy USA demolished its older gas station and is constructing a new \$1.75 million gas station to be completed during 2019.
- The \$1.2 million Red River Stop Convenience Store continued construction and is anticipated to complete it during 2019.
- North Texas Children's Dentistry completed its \$1.1 million new office building on North Grand Avenue.
- CZOC Housewares submitted plans to construct an \$800,000, 24,000-square-foot warehouse building anticipated to be completed during 2019.
- Panda Express (\$650,000) completed construction, and Chick-Fil-A (\$925,000) obtained a building permit for the corner of I-35 and Highway 82 near the First State Bank Headquarters and Operations Center. The Chick-Fil-A is expected to complete construction during 2019.
- Wendy's completed a \$450,000 remodel project in November 2018 at its California Street and I-35 location.
- Red River Motor Sports expects completion of a \$450,000 expansion of its I-35 facility by Spring 2019.
- A \$450,000 Fastenal store on North Grand Avenue was completed in the Fall 2018.
- Glenn Polk Dodge built a \$417,000 Shop Expansion on I-35.
- Duraline (a pipe company) made a \$10 million equipment investment that will increase its productivity capacity at its Gainesville plant and is in the process of hiring an additional 50 employees.

The City of Gainesville expects the current development trends to continue throughout fiscal year 2019. With the anticipated widening of I-35; the growth of the Winstar Casino just a few miles north of the City in Oklahoma; and the ever-expanding Dallas-Fort Worth Metroplex, Gainesville is poised to provide the perfect location for an influx of both residential and commercial growth.

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 due to increased activity in the oil industry as well as the aforementioned increase in commercial and residential development. Based on the fiscal year 2019 budget, the City anticipates collecting \$388,057 or 7.8% more in net sales tax revenues during the 2019 fiscal year than in the prior year. Gainesville, however, will net more sales tax during fiscal year 2019 than was budgeted for in fiscal year 2018, as it was required to repay substantial sales taxes due to a sales tax audit of a prior multi-year period. The net revenue from sales tax is estimated to be \$5,346,261 in fiscal year 2019.

The other largest revenue source for the General Fund is ad valorem (property) taxes. Without changing the City's present tax rate of \$0.72254 per \$100 of property value, the total ad valorem tax revenue (including delinquent penalties) is projected to increase over the prior year's final budget by \$613,177 or 4.9%. Total ad valorem tax revenue (including delinquent penalties) is

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2018

projected to be \$7,830,009. This total is divided between the General Fund (\$5,566,585) and the Debt Service Fund (\$2,263,424).

Enterprise Funds

The City's enterprise funds are Water and Sewer, Solid Waste, Stormwater Drainage Utility, Airport, and Golf. Revenues for Water and Sewer and the Airport are projected to increase for fiscal year 2019, while revenues for Solid Waste, Stormwater, and Golf are projected to decrease. Overall revenues in the enterprise funds are projected to decrease by \$108,711 or 0.7% compared to the fiscal year 2018 budget, and expenditures for fiscal year 2019 are expected to increase by \$3,309,564 or 25.1%. The increased expenses are due, in part, to capital expenditures budgeted in connection with the continuation of Phase Two of the Wastewater Treatment Plant project; completion of the Gateway Water Tower; continued installation of more efficient water meters; as well as other capital expenditures necessary to maintain and enhance the City's infrastructure.

Water and Sewer Fund

The fiscal year 2019 revenues for the Water and Sewer Fund are estimated to be \$8,431,033, or a decrease of 7.4%, based upon the City's actual sales during the prior year when it experienced a drought in the summer months following by an usually wet fall. A transfer of \$1,238,406 will be made to the General Fund to pay for the administrative services and also to pay the franchise fee for use of City's right-of-way, which is required from all utility services that are located in the City and is required by the City Code.

Expenses, excluding transfers, are projected to increase by \$1,025,127 or 16.8% in fiscal year 2019 due to the new Gateway Water Tower, continuation of the Wastewater Treatment Plant project, and purchases of capital equipment. Fees for Water and Sewer will not change in fiscal year 2019.

Solid Waste Fund

The fiscal year 2019 revenues for the Solid Waste Fund are conservatively projected to decrease from the prior year budget by \$537,005 or 12.9%, while normal expenditures are expected to increase by \$570,804 or 16.7%. Fees for this fund will also be held static in the upcoming year.

Airport Fund

The fiscal year 2019 revenues for the Airport Fund are projected to decrease by \$50,545 or 4.3%, and expenses are also projected to decrease by \$270,513 or 23.1% from the prior year budget. Although fuel sales at the airport were \$222,232 or 27.3% higher during fiscal year 2018, City management made the decision to budget these revenues along with the corresponding costs of fuel sales more conservatively for fiscal year 2019.

Other Funds

In comparison to the prior year final budget, the Golf Course Fund is projecting a decrease in budgeted revenues of \$20,907 or 5.1%, and the Stormwater Drainage Fund is projecting an increase in budgeted revenues of \$17,999 or 1.6%. Budgeted expenses at the golf course are projected to decrease by \$11,505 or 3.0% compared to actual expenses in fiscal year 2018, and Stormwater Drainage budgeted expenses are projected to decrease \$705,411 or 65.1% in comparison to fiscal year 2018 actual expenses due to less capital improvement expenditures and a lesser transfer amount to the General Fund.

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2018

Additional information

Budgeted personnel costs for fiscal year 2019 does include an across-the-board increase of 5% for all employees. The step plan for Fire and Police will stay within 8% of Gainesville's comparative city. Starting pay for other City employees will change with a new pay scale, which is generally around a 5% increase. Gainesville's compensation plan is designed to accomplish two goals – (1) to compensate all employees in direct relation to the value of their position on the external competitive market; and (2) to compensate employees based upon their individual job contributions to the City.

The fiscal year 2019 budget also includes increasing the employee portion of retirement to 6% of employee pay starting in January 2019. The City will be required to increase its match from 9.79% to 12.29% when the new plan goes into effect. Gainesville is paying the full matching rate for the Texas Municipal Retirement System. A decrease of 0.69% for the health insurance employee benefit is also included in the fiscal year 2019 budget.

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 fiscal year 2019 are projected to be \$9.18 million. The operating funds for fiscal year 2019 budget will cover \$2.74 million in capital expenditures and include the following projects:

- The General Fund will invest \$112,000 to replace sidewalks and parking areas at City Hall, the Police Station, and Leonard Park.
- The Fire and Police Departments will procure \$138,000 in communications and technology replacements, while the Police Department will purchase \$102,000 for one investigative and two patrol vehicles.
- Also impacting the fiscal year 2019 budget, the Fire and Police Departments will continue to make the annual required payments for the new fire truck (\$141,860 in January 2019) and body camera systems (\$39,000 in February 2019) that were first acquired during fiscal year 2018.
- The Parks and Recreation Divisions of the City will spend \$45,000 on new bathrooms at BP Douglas Park and an additional \$33,000 on a new sump pump for use at the Frank Buck Zoo.
- Fairview Cemetery will start a \$14,000 expansion of its facilities.
- The General Fund will also spend \$151,000 on additional vehicles, mowers, and equipment during fiscal year 2019.
- The Assigned Fund will use \$500,000 to demolish the former Boys and Girls Club on Hird Street.
- The Water and Sewer Fund will utilize \$250,000 to purchase automated water meters and \$236,000 on a spreader truck for sludge disposal.

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2018

- The Airport Fund will complete a \$24,000 remodel of the flight planning room at the municipal airport and \$30,000 on a new AvGas self-serve fuel dispenser for the City's aviation customers.
- The Solid Waste Fund will spend \$412,000 on a front load commercial truck and \$23,000 on new carts and containers.
- The Stormwater Fund plans to use \$150,000 for a dump truck and \$30,000 for drainage way improvements.

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Basic
Financial Statements

CITY OF GAINESVILLE, TEXAS
STATEMENT OF NET POSITION
September 30, 2018

	PRIMARY GOVERNMENT			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash	\$ 26,250,756	\$ 6,669,582	\$ 32,920,338	\$ 2,546,309
Investments	-	-	-	500,000
Receivables (Net of Allowances for Uncollectibles)	-	-	-	-
Taxes	1,573,089	-	1,573,089	255,808
Service	-	1,660,279	1,660,279	-
Other	869,267	13,751	883,018	27,342
Inventories	8,532	-	8,532	-
Total Current Assets	<u>28,701,644</u>	<u>8,343,612</u>	<u>37,045,256</u>	<u>3,329,459</u>
Noncurrent Assets:				
Restricted Assets				
Cash	-	4,329,628	4,329,628	-
Non-depreciable Capital Assets	12,208,587	18,608,584	30,817,171	1,373,731
Other Capital Assets (net)	17,621,682	24,957,595	42,579,277	2,685,792
Total Noncurrent Assets	<u>29,830,269</u>	<u>47,895,807</u>	<u>77,726,076</u>	<u>4,059,523</u>
TOTAL ASSETS	<u>58,531,913</u>	<u>56,239,419</u>	<u>114,771,332</u>	<u>7,388,982</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Loss on Refunding	401,756	186,364	588,120	-
Deferred Outflows Related to Pension	572,106	195,154	767,260	14,049
Deferred Outflows Related to OPEB	45,485	10,509	55,994	1,118
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,019,347</u>	<u>392,027</u>	<u>1,411,374</u>	<u>15,167</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	1,708,453	905,908	2,614,361	1,657
Accrued Expense	764,147	141,787	905,934	14,895
Interest Payable	106,752	119,210	225,962	-
Deposits	81,122	224,058	305,180	1,500
Current Portion-Long Term Debt	1,337,637	1,591,363	2,929,000	245,419
Total Current Liabilities	<u>3,998,111</u>	<u>2,982,326</u>	<u>6,980,437</u>	<u>263,471</u>
Noncurrent Liabilities:				
Accrued Compensated Absences	379,751	42,792	422,543	3,026
Postclosure Care Costs	-	669,833	669,833	-
Net Pension Liability	3,751,376	865,036	4,616,412	92,070
Net OPEB Liability	533,452	123,246	656,698	13,118
Long-Term Debt	19,290,655	23,271,292	42,561,947	1,343,211
Total Noncurrent Liabilities	<u>23,955,234</u>	<u>24,972,199</u>	<u>48,927,433</u>	<u>1,451,425</u>
TOTAL LIABILITIES	<u>27,953,345</u>	<u>27,954,525</u>	<u>55,907,870</u>	<u>1,714,896</u>
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS				
	<u>1,153,993</u>	<u>233,204</u>	<u>1,387,197</u>	<u>28,377</u>
NET POSITION				
Net Investment in Capital Assets	9,603,733	23,219,516	32,823,249	2,470,893
Restricted for:				
Debt Service	1,446,193	-	1,446,193	-
Construction	3,668,003	-	3,668,003	-
Tourism & the Arts	149,918	-	149,918	-
Cemetery (nonexpendable)	1,566,844	-	1,566,844	-
Other	224,966	-	224,966	-
Unrestricted	13,784,265	5,224,201	19,008,466	3,189,983
TOTAL NET POSITION	<u>\$ 30,443,922</u>	<u>\$ 28,443,717</u>	<u>\$ 58,887,639</u>	<u>\$ 5,660,876</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, 2018

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			
				GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Primary Government:							
Governmental Activities							
General Government	\$ 2,034,864	\$ 12,979	\$ -	\$ (2,021,885)	\$ -	\$ (2,021,885)	\$ -
Community Development	564,677	948,033	-	383,356	-	383,356	-
Finance	473,764	-	-	(473,764)	-	(473,764)	-
Public Safety	9,333,202	649,699	398,314	(8,285,189)	-	(8,285,189)	-
Public Works	4,286,595	680,291	-	(3,606,304)	-	(3,606,304)	-
Interest on Long-Term Debt	537,896	-	-	(537,896)	-	(537,896)	-
Issuance Costs	60,538	-	-	(60,538)	-	(60,538)	-
Total Governmental Activities	17,291,536	2,291,002	398,314	(14,602,220)	-	(14,602,220)	-
Business-Type Activities							
Water and Sewer	6,072,866	8,527,147	-	-	2,454,281	2,454,281	-
Municipal Airport	1,446,481	1,206,758	21,448	-	(218,275)	(218,275)	-
Golf Course	320,271	211,126	-	-	(109,145)	(109,145)	-
Stormwater	547,183	922,233	-	-	375,050	375,050	-
Solid Waste	2,828,231	4,616,172	-	-	1,787,941	1,787,941	-
Total Business-Type Activities	11,215,032	15,483,436	21,448	-	4,289,852	4,289,852	-
Total Primary Government	\$ 28,506,568	\$ 17,774,438	\$ 419,762	\$ (14,602,220)	\$ 4,289,852	\$ (10,312,368)	\$ -
Component Unit:							
Gainesville Economic Development Corp.	\$ 1,193,608	\$ 548,601	\$ -	\$ -	\$ -	\$ -	\$ (645,007)
General Revenues:							
Taxes							
Property Taxes				\$ 7,436,261	\$ -	7,436,261	\$ -
Sales Taxes				4,958,203	-	4,958,203	1,218,406
Franchise Fees				1,279,335	-	1,279,335	-
Occupancy Taxes				677,075	-	677,075	-
Mixed Beverage Taxes				36,271	-	36,271	-
Investment Income				409,811	165,413	575,224	10,699
Donations				195,217	373,169	568,386	-
Miscellaneous				239,068	110,919	349,987	93,368
Loss on Disposal of Capital Assets				(373,169)	-	(373,169)	-
Transfers In (Out) between Governmental and Business-Type Activities				2,141,203	(2,141,203)	-	-
Total General Revenues and Transfers				16,999,275	(1,491,702)	15,507,573	\$ 1,322,473
Change in Net Position				2,397,055	2,798,150	5,195,205	677,466
Net Position-October 1				28,501,398	25,750,580	54,251,978	4,994,587
Cummulative Effect to Implement GASB 75				(454,531)	(105,013)	(559,544)	(11,177)
Net Position-October 1, as restated				28,046,867	25,645,567	53,692,434	4,983,410
Net Position-September 30				\$ 30,443,922	\$ 28,443,717	\$ 58,887,639	\$ 5,660,876

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



Fund Financial Statements

CITY OF GAINESVILLE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	MAJOR FUNDS			OTHER GOVERNMENTAL FUNDS	TOTAL
	GENERAL FUND	DEBT SERVICE FUND	2018 CO BONDS		
ASSETS:					
Cash	\$ 8,628,424	\$ 1,439,783	\$ 3,734,582	\$ 12,447,967	\$ 26,250,756
Investments	-	-	-	-	-
Receivables (Net of Allowances for Uncollectible)					
Taxes	1,509,074	64,015	-	-	1,573,089
Other	785,487	6,410	15,444	61,926	869,267
Inventory	8,532	-	-	-	8,532
Due from Other Funds	-	-	-	-	-
Interfund Receivable	-	-	-	-	-
TOTAL ASSETS	10,931,517	1,510,208	3,750,026	12,509,893	28,701,644
LIABILITIES:					
Accounts Payable	\$ 987,761	\$ -	\$ -	\$ 720,692	\$ 1,708,453
Accrued Payroll & Benefits	384,395	-	-	-	384,395
Funds Held for Others	81,122	-	-	-	81,122
Interfund Payable	-	-	-	-	-
TOTAL LIABILITIES	1,453,278	-	-	720,692	2,173,970
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue	553,250	64,015	-	-	617,265
FUND BALANCES:					
Nonspendable:					
Inventories	8,532	-	-	-	8,532
Cemetery	-	-	-	1,566,844	1,566,844
Restricted:					
Debt Service	-	1,446,193	-	-	1,446,193
Construction	-	-	3,750,026	3,668,003	7,418,029
Tourism and the Arts	-	-	-	149,918	149,918
Other	-	-	-	224,966	224,966
Assigned:					
Construction	-	-	-	3,432,819	3,432,819
Other	-	-	-	2,746,651	2,746,651
Unassigned	8,916,457	-	-	-	8,916,457
TOTAL FUND BALANCES	8,924,989	1,446,193	3,750,026	11,789,201	25,910,409
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 10,931,517	\$ 1,510,208	\$ 3,750,026	\$ 12,509,893	\$ 28,701,644

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, 2018

Total Fund Balance - Total Governmental Funds	\$ 25,910,409
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.	617,265
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 \$90,536,661.	29,830,269
Interest payable on long-term debt does not require current financial resources, and therefore, interest payable is not reported as a liability on the governmental funds balance sheet.	(106,752)
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.	(19,883,874)
Costs associated with long term debt are not reported in the governmental funds balance sheets.	
Deferred Loss on Early Extinguishment of Debt	401,756
Premium on Bonds	(744,418)
Compensated absences are not reported as liabilities in the governmental fund balance sheet.	(759,503)
Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of (\$3,751,376), a deferred resource inflow in the amount of (\$1,153,993) and a deferred resource outflow in the amount of \$572,106. This resulted in a decrease in net position by (\$4,333,263).	(4,333,263)
Included in the noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of (\$533,452), a deferred resource inflow in the amount of \$45,485. This resulted in a decrease in net position by \$487,967.	(487,967)
Net Position of Governmental Activities	<u><u>\$ 30,443,922</u></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, 2018

	MAJOR FUNDS			OTHER GOVERNMENTAL FUNDS	TOTAL
	GENERAL	DEBT SERVICE FUND	2018 CO BONDS		
REVENUES:					
Taxes					
Ad Valorem Taxes	\$ 5,003,454	\$ 2,416,580	\$ -	\$ -	\$ 7,420,034
Sales Taxes	4,958,203	-	-	-	4,958,203
Franchise Tax	1,279,335	-	-	-	1,279,335
Occupancy Tax	-	-	-	677,075	677,075
Mixed Beverage Tax	36,271	-	-	-	36,271
Service Charges	1,083,391	-	-	13,335	1,096,726
License & Permits	531,598	-	-	12,979	544,577
Fines & Forfeitures	479,047	-	-	38,448	517,495
Investment Income	152,965	27,103	47,924	181,816	409,808
Intergovernmental Revenues	65,016	-	-	333,298	398,314
Donations	195,217	-	-	-	195,217
Other Income	178,908	20,850	-	39,310	239,068
TOTAL REVENUES	13,963,405	2,464,533	47,924	1,296,261	17,772,123
EXPENDITURES:					
Current					
General Government	1,555,067	109,338	204	151,759	1,816,368
Community Development	559,483	-	-	-	559,483
Finance	479,609	-	-	-	479,609
Public Safety	8,516,495	-	-	25,375	8,541,870
Public Works	3,394,256	-	-	23,902	3,418,158
Debt Service					
Principal	39,000	1,484,891	-	-	1,523,891
Interest and Other Charges	-	518,138	-	-	518,138
Debt Issuance Costs	-	16,357	27,434	-	43,791
Capital Outlay	1,019,191	-	342,998	4,568,296	5,930,485
TOTAL EXPENDITURES	15,563,101	2,128,724	370,636	4,769,332	22,831,793
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,599,696)	335,809	(322,712)	(3,473,071)	(5,059,670)
OTHER FINANCING SOURCES (USES):					
Refunding Bonds Issued	-	1,801,007	-	-	1,801,007
Payment to Refunding Escrow Agent	-	(1,778,240)	-	-	(1,778,240)
Issuance of Debt	195,000	-	4,072,738	-	4,267,738
Funds Transferred In	3,342,671	101,071	-	4,931,711	8,375,453
Funds Transferred Out	(1,912,975)	(385,337)	-	(3,935,938)	(6,234,250)
TOTAL OTHER FINANCING SOURCES (USES):	1,624,696	(261,499)	4,072,738	995,773	6,431,708
NET CHANGE IN FUND BALANCES	25,000	74,310	3,750,026	(2,477,298)	1,372,038
FUND BALANCE - October 1	8,899,989	1,371,883	-	14,266,499	24,538,371
FUND BALANCE - September 30	\$ 8,924,989	\$ 1,446,193	\$ 3,750,026	\$ 11,789,201	\$ 25,910,409

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, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ 1,372,038
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.	5,930,488
In the government wide statement of activities and changes in net position, loss on disposal of fixed assets is recognized. The effect of this adjustment is to reduce changes in net position.	(373,169)
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	(34,891)
Amortization of Bond Premium	47,485
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.	(1,682,699)
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.	(21,426)
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.	(32,352)
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.	(2,673,705)
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.	148,431
The implementation of GASB 68 required that certain expenditures be de-expensed and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/17 caused the change in the ending net position to increase in the amount of \$627,953. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$612,199). The City's reported TMRS net pension expense had to be recorded. The net pension expense decreased the change in net position by (\$265,463). The result of these changes is to increase the change in net position by (\$249,709).	(249,709)
The implementation of GASB 75 required that certain expenditures be de-expensed and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/17 caused the change in the ending net position to increase in the amount of \$13,764. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$12,767). The City's reported TMRS net OPRB expense had to be recorded. The net OPEB expense decreased the change in net position by (\$34,433). The result of these changes is to increase the change in net position by (\$33,436).	(33,436)
Change in Net Position of Governmental Activities	\$ 2,397,055

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



Proprietary Fund
Financial Statements

CITY OF GAINESVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

	WATER & SEWER	MUNICIPAL AIRPORT	SOLID WASTE	STORMWATER	OTHER ENTERPRISE FUNDS GOLF FUND	TOTAL
ASSETS						
Cash	\$ 3,053,202	\$ 395,793	\$ 2,665,771	\$ 554,511	\$ 305	\$ 6,669,582
Receivables (Net of Allowances for Uncollectible)						-
Service	943,312	25,712	579,770	111,485	-	1,660,279
Other	11,600	-	-	1,299	852	13,751
Interfund Receivables	-	-	-	-	-	-
Total Current Assets	<u>4,008,114</u>	<u>421,505</u>	<u>3,245,541</u>	<u>667,295</u>	<u>1,157</u>	<u>8,343,612</u>
Noncurrent Assets:						
Restricted Assets:						
Cash	897,038	-	3,432,590	-	-	4,329,628
Non-depreciable Capital Assets	11,101,751	147,495	3,695	7,338,590	17,053	18,608,584
Other Capital Assets (net)	12,538,110	2,483,714	1,685,623	8,145,688	104,460	24,957,595
Total Noncurrent Assets	<u>24,536,899</u>	<u>2,631,209</u>	<u>5,121,908</u>	<u>15,484,278</u>	<u>121,513</u>	<u>47,895,807</u>
TOTAL ASSETS	<u>28,545,013</u>	<u>3,052,714</u>	<u>8,367,449</u>	<u>16,151,573</u>	<u>122,670</u>	<u>56,239,419</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Loss on Refunding	64,722	4,438	57,893	54,751	4,560	186,364
Deferred Outflow Related to Pension	117,580	10,070	52,906	2,596	12,002	195,154
Deferred Outflow Related to OPEB	6,332	542	2,849	140	646	10,509
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>188,634</u>	<u>15,050</u>	<u>113,648</u>	<u>57,487</u>	<u>17,208</u>	<u>392,027</u>
LIABILITIES						
Current Liabilities:						
Accounts Payable	748,906	43,511	103,785	6,761	2,945	905,908
Accrued Expense	83,865	8,291	34,966	3,256	11,409	141,787
Interest Payable	67,809	309	38,405	12,539	148	119,210
Customer Deposits	219,080	-	4,978	-	-	224,058
Revenue Bonds Payable-Current Portion	1,017,259	20,940	240,392	305,181	7,591	1,591,363
Total Current Liabilities	<u>2,136,919</u>	<u>73,051</u>	<u>422,526</u>	<u>327,737</u>	<u>22,093</u>	<u>2,982,326</u>
Noncurrent Liabilities:						
Accrued Compensated Absences	25,922	3,008	9,183	24	4,655	42,792
Postclosure Care Costs Payable	-	-	669,833	-	-	669,833
Net Pension Liability	521,184	44,636	234,511	11,505	53,200	865,036
Net OPEB Liability	74,256	6,359	33,412	1,639	7,580	123,246
Revenue Bonds Payable	16,051,069	63,497	3,884,400	3,241,694	30,632	23,271,292
Total Noncurrent Liabilities	<u>16,672,431</u>	<u>117,500</u>	<u>4,831,339</u>	<u>3,254,862</u>	<u>96,067</u>	<u>24,972,199</u>
TOTAL LIABILITIES	<u>18,809,350</u>	<u>190,551</u>	<u>5,253,865</u>	<u>3,582,599</u>	<u>118,160</u>	<u>27,954,525</u>
DEFERRED INFLOW OF RESOURCES RELATED TO PENSIONS	<u>140,505</u>	<u>12,033</u>	<u>63,222</u>	<u>3,102</u>	<u>14,342</u>	<u>233,204</u>
NET POSITION						
Net Investment in Capital Assets	7,533,293	2,551,210	1,055,009	11,992,154	87,850	23,219,516
Unrestricted	2,250,499	313,970	2,109,001	631,205	(80,474)	5,224,201
TOTAL NET POSITION	<u>\$ 9,783,792</u>	<u>\$ 2,865,180</u>	<u>\$ 3,164,010</u>	<u>\$ 12,623,359</u>	<u>\$ 7,376</u>	<u>\$ 28,443,717</u>

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, 2018

	<u>WATER & SEWER</u>	<u>MUNICIPAL AIRPORT</u>	<u>SOLID WASTE</u>	<u>STORMWATER</u>	<u>OTHER ENTERPRISE FUNDS GOLF FUND</u>	<u>TOTAL</u>
OPERATING REVENUES						
Charges for Services	\$ 8,527,147	\$ 1,206,758	\$ 4,616,172	\$ 922,233	\$ 211,126	\$ 15,483,436
Grant Revenue	-	21,448	-	-	-	21,448
Other Income	87,499	-	6,058	-	17,362	110,919
TOTAL OPERATING REVENUES	<u>8,614,646</u>	<u>1,228,206</u>	<u>4,622,230</u>	<u>922,233</u>	<u>228,488</u>	<u>15,615,803</u>
OPERATING EXPENSES						
Salaries and Benefits	1,751,894	141,344	752,414	58,333	197,366	2,901,351
Supplies, Materials, Repair and Maintenance	922,122	954,969	383,327	19,318	43,738	2,323,474
Heat, Light and Power	491,238	22,019	13,651	-	12,815	539,723
Lease Payments	928,935	12,800	-	-	-	941,735
Other	612,610	32,194	1,212,573	22,005	50,813	1,930,195
Depreciation	858,309	280,175	378,274	352,451	4,387	1,873,596
TOTAL EXPENSES	<u>5,565,108</u>	<u>1,443,501</u>	<u>2,740,239</u>	<u>452,107</u>	<u>309,119</u>	<u>10,510,074</u>
OPERATING INCOME (LOSS)	<u>3,049,538</u>	<u>(215,295)</u>	<u>1,881,991</u>	<u>470,126</u>	<u>(80,631)</u>	<u>5,105,729</u>
NONOPERATING REVENUES (EXPENSES)						
Reevaluation of Postclosure Care Costs	-	-	(14,411)	-	-	(14,411)
Amortization of Bond Premium	43,357	(208)	(9,846)	(2,687)	(131)	30,485
Bond Issuance Costs	(18,447)	-	(13,973)	-	-	(32,420)
Donations	373,169	-	-	-	-	373,169
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	-
Investment Income	74,557	5,508	71,191	14,046	111	165,413
Interest Expense	(532,668)	(2,772)	(59,477)	(92,389)	(1,306)	(688,612)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(60,032)</u>	<u>2,528</u>	<u>(26,516)</u>	<u>(81,030)</u>	<u>(1,326)</u>	<u>(166,376)</u>
INCOME BEFORE TRANSFERS	<u>2,989,506</u>	<u>(212,767)</u>	<u>1,855,475</u>	<u>389,096</u>	<u>(81,957)</u>	<u>4,939,353</u>
TRANSFERS						
Transfers In	496,744	49,937	-	628,673	165,362	1,340,716
Transfers Out	(1,308,406)	-	(1,035,336)	(1,138,177)	-	(3,481,919)
NET TRANSFERS	<u>(811,662)</u>	<u>49,937</u>	<u>(1,035,336)</u>	<u>(509,504)</u>	<u>165,362</u>	<u>(2,141,203)</u>
CHANGE IN NET POSITION	<u>2,177,844</u>	<u>(162,830)</u>	<u>820,139</u>	<u>(120,408)</u>	<u>83,405</u>	<u>2,798,150</u>
NET POSITION, OCTOBER 1	7,669,218	3,033,429	2,372,340	12,745,164	(69,571)	25,750,580
CUMMULATIVE EFFECT TO IMPLEMENT GASB 75	(63,270)	(5,419)	(28,469)	(1,397)	(6,458)	(105,013)
NET POSITION, OCTOBER 1, AS RESTATED	<u>7,605,948</u>	<u>3,028,010</u>	<u>2,343,871</u>	<u>12,743,767</u>	<u>(76,029)</u>	<u>25,645,567</u>
NET POSITION, SEPTEMBER 30	<u>\$ 9,783,792</u>	<u>\$ 2,865,180</u>	<u>\$ 3,164,010</u>	<u>\$ 12,623,359</u>	<u>\$ 7,376</u>	<u>\$ 28,443,717</u>

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, 2018

	WATER AND SEWER FUND	MUNICIPAL AIRPORT	SOLID WASTE FUND	STORMWATER	OTHER ENTERPRISE FUND GOLF	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers	\$ 8,536,287	\$ 1,217,235	\$ 4,540,980	\$ 916,346	\$ 227,636	\$ 15,438,484
Payments to Suppliers for Goods and Services	(2,546,872)	(978,771)	(1,588,270)	(38,479)	(107,295)	(5,259,687)
Payments to Employees	(1,765,923)	(141,692)	(762,705)	(57,426)	(197,151)	(2,924,897)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>4,223,492</u>	<u>96,772</u>	<u>2,190,005</u>	<u>820,441</u>	<u>(76,810)</u>	<u>7,253,900</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers In	496,744	49,937	-	628,673	165,362	1,340,716
Transfers Out	(1,308,406)	-	(1,035,336)	(1,138,177)	-	(3,481,919)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>(811,662)</u>	<u>49,937</u>	<u>(1,035,336)</u>	<u>(509,504)</u>	<u>165,362</u>	<u>(2,141,203)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	(4,931,170)	(63,697)	(120,903)	(454,598)	(80,867)	(5,651,235)
Payment of Postclosure Care Costs	-	-	(2,567)	-	-	(2,567)
Principal Paid on Bonds and Certificates of Obligation	(1,215,713)	(37,791)	(335,813)	(325,535)	(10,261)	(1,925,113)
Proceeds from Debt Issuance	-	-	3,400,140	-	-	3,400,140
Bond Issuance Costs	(18,447)	-	(13,973)	-	-	(32,420)
Interest and Paying Agent Fees Paid on Bonds, Notes, and Certificates of Obligation	(521,214)	(2,876)	(24,607)	(83,104)	(1,347)	(633,148)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(6,686,544)</u>	<u>(104,364)</u>	<u>2,902,277</u>	<u>(863,237)</u>	<u>(92,475)</u>	<u>(4,844,343)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on Investments	74,557	5,508	71,200	14,044	112	165,421
Proceeds from Maturities of Investments	-	-	-	-	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>74,557</u>	<u>5,508</u>	<u>71,200</u>	<u>14,044</u>	<u>112</u>	<u>165,421</u>
INCREASE (DECREASE) IN CASH DURING YEAR	<u>(3,200,157)</u>	<u>47,853</u>	<u>4,128,146</u>	<u>(538,256)</u>	<u>(3,811)</u>	<u>433,775</u>
CASH - October 1	<u>7,150,397</u>	<u>347,940</u>	<u>1,970,215</u>	<u>1,092,767</u>	<u>4,116</u>	<u>10,565,435</u>
CASH - September 30	<u>\$ 3,950,240</u>	<u>\$ 395,793</u>	<u>\$ 6,098,361</u>	<u>\$ 554,511</u>	<u>\$ 305</u>	<u>\$ 10,999,210</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 3,049,538	\$ (215,295)	\$ 1,881,991	\$ 470,126	\$ (80,631)	\$ 5,105,729
Adjustments:						
Depreciation Expense	858,309	280,175	378,274	352,451	4,387	1,873,596
Pension Expense	44,668	3,828	20,076	(440)	(1,878)	66,254
Change in Assets and Liabilities:						
Receivables, Net	(82,406)	(10,971)	(83,333)	(5,887)	(852)	(183,449)
Accounts Payable	408,033	43,211	23,364	2,844	71	477,523
Accrued Expense	(58,697)	(4,176)	(30,367)	1,347	2,093	(89,800)
Customer Deposits	4,047	-	-	-	-	4,047
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 4,223,492</u>	<u>\$ 96,772</u>	<u>\$ 2,190,005</u>	<u>\$ 820,441</u>	<u>\$ (76,810)</u>	<u>\$ 7,253,900</u>
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Capital Assets Acquired with Capital Lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2018

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" and 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, 2018

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 sale 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.

C. Change in Accounting Principle

During fiscal year 2018, the City adopted the following GASB Statements.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension (OPEB), addresses accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and No 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.

With this implementation, the City's financial statements were restated to reflect the beginning net OPEB liability, deferred outflows and the recognition of OPEB expense and contributions made between the start of the measurement period and the City's prior fiscal year. The restatement to beginning net position is noted below and reflected on the statements:

	Net Position at 10/1/2017 Previously Reported	Change in Reporting for OPEB	Net Position at 10/1/2017 as Restated
Governmental Wide Information			
Governmental Activities	\$ 28,501,398	\$ (454,531)	\$ 28,046,867
Business-Type Activities	25,750,580	(105,013)	25,645,567
Component Unit	4,994,587	(11,177)	4,983,410
Fund Financial Statements			
Proprietary Funds:			
Water & Sewer	7,669,218	(63,270)	7,605,948
Municipal Airport	3,033,429	(5,419)	3,028,010
Solid Waste	2,372,340	(28,469)	2,343,871
Stormwater	12,745,164	(1,397)	12,743,767
Non major Funds	(69,571)	(6,458)	(76,029)

D. 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 the 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

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, 2017 to September 30, 2018. 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, 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, 2018:

General Fund – 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.

2018 CO Bond Fund - This fund accounts for the street utility maintenance project funded by the 2018 Certificate of Obligation Bonds.

The City reports the following major proprietary funds at September 30, 2018:

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.

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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.

The City also has the following nonmajor funds:

Nonmajor Special Revenue Funds - Municipal Court Technology, Municipal Court Security, Hotel/Motel, Law Enforcement Education, G.I.V.E., Juvenile Case Manager, City Athletic Fields, Flood Repairs, Cable Peg Fee, Federal Seizure, State Seizure, Construction Projects, Assigned Projects Fund, Hospital Demolition, 2014 GO Bonds, 2016 GO Bonds, Cemetery Permanent and Cohen Scholarship, which are used to account for and report the proceeds of financial resources that are restricted, committed, or assigned to expenditure for the specific purposes of the individual funds.

Nonmajor Proprietary Fund Type - Golf Course which is used to account for the management of the City's golf course.

E. Measurement Focus and Basis of Accounting

1. Governmental Funds

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

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

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

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

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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 – These 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.

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

1. Deposits and Investments

Cash in 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 as meters are read, or services are performed, with revenue recorded when customers are billed. The estimated unbilled

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revenue at September 30, 2018, 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.

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, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. 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 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, 2018.

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

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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.

7. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gain/loss on refunding are reported as deferred outflow/inflow and recognized as a component of interest expense over the remaining life of the old debt or life of the new debt, whichever is shorter.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets 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. Unspent debt proceeds are not used in this calculation. 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.

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9. 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.

When multiple categories of fund balance are available for expenditure and approved for use by the City Council, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds. Normally this would result in the use of restricted, then committed, then assigned, and lastly, unassigned fund balance.

10. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position applying to a future period and will not be recognized as an outflow of resources, either expenses or expenditures, until that time. The City has reported deferred outflows of resources related to the deferred charge on refunding, the deferred charge related to net pension liability and the deferred charge related to net OPEB liability.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position applying to a future period and will not be recognized as an inflow of resources, or revenues, until that time. The City has reported deferred inflows of resources related to the net pension liability on the statement of net position. On the balance sheet for governmental funds, the City has reported deferred inflows of resources related to unavailable revenues.

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11. Estimates

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

12. Net Pension Liability

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

13. Net OPEB Liability

As required by the Governmental Accounting Standards Board (GASB) Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pension" (GASB No. 75), the City has disclosed its participation in the Texas Municipal Retirement System (TMRS) Supplemental Death Benefits Fund (SDBF) for retiree coverage. The DDBF covers both active and retiree benefits with no segregation of assets, and therefore does not meet the definition of a trust under GASB No. 75. As such the SDBF is considered to be a single-employer unfunded OPEB plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

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.

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

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funds have legally adopted budgets: General Fund, Municipal Court Security, Municipal Court Technology, Hotel/Motel, Law Enforcement Education, G.I.V.E, City Athletic Fields, Federal Seizure, State Seizure, Juvenile Case Manager, Hospital Demolition, Cable Peg Fee, Debt Service, Cemetery Permanent, Assigned Projects, 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. There were no material budget amendments made.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2018, expenditures exceeded appropriations in the following funds:

General Fund	
Fire	\$ 36,200
Debt Service-Principle	39,000
Capital Outlay	239,153
Nonmajor Governmental Funds:	
Municipal Court Technology	5,577
Juvenile Case Manager	509
Hospital Demolition	70
State Seizure Fund	160

C. Deficit Fund Equity

None

III. DETAILED NOTES ON ALL FUNDS

A. Cash

Cash on Hand	\$ 6,350
Cash Equivalents - TexStar & TexPool	34,614,684
Cash in Banks	5,175,241
Total Cash and Cash Equivalents	<u>\$ 39,796,275</u>

	Governmental Activities	Business Activities	Component Unit	Total
Cash and Cash Equivalents	\$ 26,250,756	\$ 6,669,582	\$ 2,546,309	\$35,466,647
Restricted Cash and Cash Equivale	-	4,329,628	-	4,329,628
Totals	<u>\$ 26,250,756</u>	<u>\$ 10,999,210</u>	<u>\$ 2,546,309</u>	<u>\$39,796,275</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

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waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Deposits - At September 30, 2018, the City had \$6,350 of cash on hand. The carrying amount of the City's cash in bank totaled \$3,125,577 and bank balance was \$3,585,461. During the year, 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 \$3,335,461. The carrying amount of the Gainesville Economic Development Corporation's cash as of September 30, 2018, as reflected in the statement of net position was \$2,049,664 and the bank balance was \$2,042,745. During the year, the deposits of the GEDC were fully covered by Federal Depository Insurance amounting to \$250,000 and with securities held by the pledging financial institution.

Investments -

	Governmental Activities	Business Activities	Component Unit	Total
Investments	\$ -	\$ -	\$ 500,000	\$ 500,000

Investment Type	Rating	Investment Maturities			
		Total	Less than 1	1-5	5 years or more
Certificates of Deposits		\$ 500,000	\$ 500,000	\$ -	\$ -

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.

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

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both participants in TexPool and other persons who do not have a business relationship with TexPool. 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 \$8,937,592 on deposit with TexPool and \$25,144,667 on deposit with TexStar at September 30, 2018. The GEDC had \$532,425 on deposit with TexStar at September 30, 2018.

Custodial Credit Risk – 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, 2018, 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 - 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 -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.

Fair value of assets measured on a recurring basis of the GEDC at September 30, 2018 is as follows:

	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)
Component Unit				
Certificates of Deposit	500,000		500,000	

Concentration of Credit Risk - 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.

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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, 2018, the rates were \$.4329 and \$.27213, respectively, per \$100 of assessed value. At September 30, 2018, the City had a tax margin of \$1.79497 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, 2018, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds					Total
	General Fund	Debt Service	2018 CO Bonds	Nonmajor Funds		
Property Taxes	\$ 159,023	\$ 85,885	\$ -	\$ -		\$ 244,908
Sales Tax	1,393,643	-	-	-		1,393,643
Other Local Fees	-	-	-	60,695		60,695
Franchise Fees	53,790	-	-	-		53,790
Court Warrants	1,033,146	-	-	-		1,033,146
Grants	29,214	-	-	-		29,214
Other	177,411	6,410	15,444	1,231		200,496
	<u>2,846,227</u>	<u>92,295</u>	<u>15,444</u>	<u>61,926</u>		<u>3,015,892</u>
Allowance for Uncollectibles	(551,666)	(21,870)	-	-		(573,536)
Net Receivables	<u>\$ 2,294,561</u>	<u>\$ 70,425</u>	<u>\$ 15,444</u>	<u>\$ 61,926</u>		<u>\$ 2,442,356</u>
	Proprietary Funds					
	Water and Sewer	Municipal Airport	Solid Waste	Stormwater Utility	Nonmajor-Golf Fund	Total
Service Receivables	\$ 995,497	\$ 25,712	\$ 610,190	\$ 118,398	\$ -	\$ 1,749,797
Other	11,600	-	-	1,299	852	13,751
	<u>1,007,097</u>	<u>25,712</u>	<u>610,190</u>	<u>119,697</u>	<u>852</u>	<u>1,763,548</u>
Allowance for Uncollectibles	(52,185)	-	(30,420)	(6,913)	-	(89,518)
Net Receivables	<u>\$ 954,912</u>	<u>\$ 25,712</u>	<u>\$ 579,770</u>	<u>\$ 112,784</u>	<u>\$ 852</u>	<u>\$ 1,674,030</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.

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There were no interfund receivable or payable balances at September 30, 2018.

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:

	Transfers In			Transfers Out			
	General Fund	Debt Service	Nonmajor Governmental	Water & Sewer	Solid Waste	Storm-Water	Total
General Fund	\$ -	\$ -	\$ 477,263	\$ 1,308,406	\$ 1,005,336	\$ 551,666	\$ 3,342,671
Debt Service	-	-	-	-	-	101,071	101,071
Nonmajor Govern.	1,796,733	-	2,619,538	-	30,000	485,440	4,931,711
Water & Sewer	-	121,423	375,321	-	-	-	496,744
Airport Fund	-	40,667	9,270	-	-	-	49,937
Stormwater	-	211,641	417,032	-	-	-	628,673
Nonmajor Ent.	116,242	11,606	37,514	-	-	-	165,362
Total	1,912,975	385,337	3,935,938	1,308,406	1,035,336	1,138,177	9,716,169

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

	Balance 10/1/2017	Additions/ Completions	Transfers & Deletions	Balance 9/30/2018
Governmental Activities:				
Non-Depreciable Capital Assets:				
Construction				
in Progress	\$ 5,955,929	\$ 2,450,391	\$ -	\$ 8,406,320
Land & Land Rights	3,563,803	238,464	-	3,802,267
	<u>9,519,732</u>	<u>2,688,855</u>	<u>-</u>	<u>12,208,587</u>
Depreciable Capital Assets:				
Motorized Vehicle	6,185,761	353,752	(66,489)	6,473,024
Machinery & Equip.	1,974,634	441,382	(21,837)	2,394,179
Office Equip, Furniture & Fixtures	824,749	63,907	(2,052)	886,604
Buildings	10,035,705	-	-	10,035,705
Improvements	86,359,410	2,382,589	(373,169)	88,368,830
	<u>105,380,259</u>	<u>3,241,630</u>	<u>(463,547)</u>	<u>108,158,342</u>
Less Accumulated Depreciation:				
Motorized Vehicle	(4,240,207)	(398,357)	66,489	(4,572,075)
Machinery & Equip.	(1,275,819)	(147,046)	21,837	(1,401,028)
Office Equip, Furniture & Fixtures	(580,423)	(61,831)	2,052	(640,202)
Buildings	(7,162,603)	(254,857)	-	(7,417,460)
Improvements	(75,685,287)	(820,608)	-	(76,505,895)
	<u>(88,944,339)</u>	<u>(1,682,699)</u>	<u>90,378</u>	<u>(90,536,660)</u>
Net Depreciable Capital Assets	<u>16,435,920</u>	<u>1,558,931</u>	<u>(373,169)</u>	<u>17,621,682</u>
Net Capital Assets	<u>\$ 25,955,652</u>	<u>\$ 4,247,786</u>	<u>\$ (373,169)</u>	<u>\$ 29,830,269</u>

Capital asset activity for the year ended September 30, 2018 was as follows:

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Proprietary Funds	<u>Balance 10/1/2017</u>	<u>Additions/ Completions</u>	<u>Transfers/ Disposals</u>	<u>Balance 9/30/2018</u>
<u>Non-Depreciable Capital Assets:</u>				
Construction				
in Progress	\$ 7,491,912	\$ 3,611,742	373,171	\$ 11,476,825
Land & Land Rights	6,714,727	417,032	-	7,131,759
	<u>14,206,639</u>	<u>4,028,774</u>	<u>373,171</u>	<u>18,608,584</u>
<u>Depreciable Capital Assets:</u>				
Motorized Vehicles	5,781,327	380,521	-	6,161,848
Machinery & Equip.	3,754,206	148,192	-	3,902,398
Office Equip, Furniture & Fixtures	263,626	-	-	263,626
Buildings	8,328,316	498,000	-	8,826,316
Improvements	19,663,770	57,019	-	19,720,789
Plant In Svc-Water	12,327,287	538,725	-	12,866,012
Plant In Svc-Sewer	6,000,857	-	-	6,000,857
	<u>56,119,389</u>	<u>1,622,457</u>	<u>-</u>	<u>57,741,846</u>
Less Accumulated Depreciation:				
Motorized Vehicles	(3,494,020)	(398,914)	-	(3,892,934)
Machinery & Equip.	(2,714,884)	(197,433)	-	(2,912,317)
Office Equip, Furniture & Fixtures	(222,112)	(4,710)	-	(226,822)
Buildings	(2,214,402)	(163,567)	-	(2,377,969)
Improvements	(7,817,228)	(747,281)	-	(8,564,509)
Plant In Svc-Water	(9,588,352)	(316,054)	-	(9,904,406)
Plant In Svc-Sewer	(4,859,651)	(45,643)	-	(4,905,294)
	<u>(30,910,649)</u>	<u>(1,873,602)</u>	<u>-</u>	<u>(32,784,251)</u>
Net Depreciable Capital Assets	<u>25,208,740</u>	<u>(251,145)</u>	<u>-</u>	<u>24,957,595</u>
Net Capital Assets	<u>\$ 39,415,379</u>	<u>\$ 3,777,629</u>	<u>\$ 373,171</u>	<u>\$ 43,566,179</u>
	<u>Balance 10/1/2017</u>	<u>Additions/ Completions</u>	<u>Disposals</u>	<u>Balance 9/30/2018</u>
<u>Discretely Presented Component Unit:</u>				
<u>Non-Depreciable Capital Assets:</u>				
Land & Land Rights	\$ 1,631,378	\$ -	\$ (257,646)	\$ 1,373,732
Construction In Progress	-	-	-	-
Total Non-Depreciable Capital Assets	<u>1,631,378</u>	<u>-</u>	<u>(257,646)</u>	<u>1,373,732</u>
<u>Depreciable Capital Assets:</u>				
Office Mach. & Equip.	1,545	-	-	1,545
Improvements	1,761,278	-	-	1,761,278
Buildings	1,975,114	-	-	1,975,114
	<u>3,737,937</u>	<u>-</u>	<u>-</u>	<u>3,737,937</u>
Less Accumulated Depreciation:				
Office Mach. & Equip.	(773)	(309)	-	(1,082)
Buildings	(926,034)	(125,030)	-	(1,051,064)
	<u>(926,807)</u>	<u>(125,339)</u>	<u>-</u>	<u>(1,052,146)</u>
Net Depreciable Capital Assets	<u>2,811,130</u>	<u>(125,339)</u>	<u>-</u>	<u>2,685,791</u>
Net Capital Assets	<u>\$ 4,442,508</u>	<u>\$ (125,339)</u>	<u>\$ (257,646)</u>	<u>\$ 4,059,523</u>

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Capital asset balances of individual proprietary funds as of September 30, 2018 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	\$ 10,987,234	\$ 29,420	\$ 3,695	\$ 456,476	\$ -	\$ 11,476,825
Land & Land Rights	114,517	118,075	-	6,882,114	17,053	7,131,759
	<u>11,101,751</u>	<u>147,495</u>	<u>3,695</u>	<u>7,338,590</u>	<u>17,053</u>	<u>18,608,584</u>
<u>Depreciable Capital Assets:</u>						
Motorized Vehicles	1,896,538	151,152	3,005,754	876,466	231,938	6,161,848
Machinery & Equip.	1,955,723	169,941	1,705,719	34,121	36,894	3,902,398
Office Equip, Furniture Buildings	197,807	6,500	34,244	25,075	-	263,626
Improvements	6,722,402	876,395	1,156,811	-	70,708	8,826,316
Plant In Service-Water Plant In Service-Sewer	4,270,551	5,967,630	52,747	8,958,495	471,366	19,720,789
	12,866,012	-	-	-	-	12,866,012
	6,000,857	-	-	-	-	6,000,857
	<u>33,909,890</u>	<u>7,171,618</u>	<u>5,955,275</u>	<u>9,894,157</u>	<u>810,906</u>	<u>57,741,846</u>
<u>Less Accumulated Depreciation:</u>						
Motorized Vehicles	(1,117,706)	(106,095)	(1,946,285)	(551,572)	(171,276)	(3,892,934)
Machinery & Equip.	(1,379,126)	(139,483)	(1,322,692)	(34,121)	(36,895)	(2,912,317)
Office Equip, Furniture Buildings	(180,183)	(6,500)	(34,244)	(5,895)	-	(226,822)
Improvements	(737,151)	(617,041)	(953,069)	-	(70,708)	(2,377,969)
Plant In Service-Water Plant In Service-Sewer	(3,147,914)	(3,818,785)	(13,362)	(1,156,881)	(427,567)	(8,564,509)
	(9,904,406)	-	-	-	-	(9,904,406)
	(4,905,294)	-	-	-	-	(4,905,294)
	<u>(21,371,780)</u>	<u>(4,687,904)</u>	<u>(4,269,652)</u>	<u>(1,748,469)</u>	<u>(706,446)</u>	<u>(32,784,251)</u>
Net Depreciable Capital Assets	12,538,110	2,483,714	1,685,623	8,145,688	104,460	24,957,595
Net Capital Assets	\$ 23,639,861	\$ 2,631,209	\$ 1,689,318	\$ 15,484,278	\$ 121,513	\$ 43,566,179

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

Governmental Activities:	
General Government	\$ 173,199
Community Development	5,014
Public Safety	638,170
Public Works	866,316
	<u>\$ 1,682,699</u>
 Discretely Presented Component Unit:	
Gainesville Economic Development Corp	\$ 125,339
 Proprietary Funds:	
Water & Sewer	\$ 858,308
Airport	280,174
Solid Waste	378,282
Stormwater	352,451
Golf Course	4,387
	<u>\$ 1,873,602</u>

E. Accounts Payable

Accounts payable as of September 30, 2018, for the City's major funds and nonmajor funds in the aggregate are as follows:

	Governmental Funds			Nonmajor Funds	Total
	General Fund	Debt Service	2018 GO		
Vendor Payables	\$ 987,761	\$ -	\$ -	\$ 715,813	\$ 1,703,574
Court Costs Payable	-	-	-	4,879	4,879
Funds Held for Others	81,122	-	-	-	81,122
Accrued Payroll & Benefit	384,395	-	-	-	384,395
	<u>\$ 1,453,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 720,692</u>	<u>\$ 2,173,970</u>

	Proprietary Funds					Total
	Water and Sewer	Municipal Airport	Solid Waste	Stormwater Utility	Nonmajor- Golf Fund	
Vendor Payables	\$ 748,906	\$ 43,511	\$ 103,785	\$ 6,761	\$ 2,945	\$ 905,908
Accrued Comp. Absences	25,922	3,008	9,183	1,616	4,655	44,384
Postclosure Care Costs	-	-	669,833	-	-	669,833
Accrued Payroll & Benefit	83,865	8,291	34,966	1,664	11,409	140,195
Deposits Payable	219,080	-	4,978	-	-	224,058
Interest Payable	67,809	309	38,405	12,539	148	119,210
Totals	<u>\$ 1,145,582</u>	<u>\$ 55,119</u>	<u>\$ 861,150</u>	<u>\$ 22,580</u>	<u>\$ 19,157</u>	<u>\$ 2,103,588</u>

F. Long-Term Debt

1. Governmental Activities Long-Term Debt

As of September 30, 2018, the City had the following governmental activities long-term debt outstanding:

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	Interest Rate	Year of Issue	Year of Maturity	Original Amount	Amount Outstanding	Due Within One Year
Capital Lease						
KS State Bank	0%	2018	2022	195,000	<u>156,000</u>	<u>39,000</u>
General Obligation Bonds:						
Series 2012	2.0-3.0%	2012	2024	2,422,557	616,950	98,712
Series 2014	0.33-2.31%	2014	2020	753,455	115,837	57,406
Series 2014	3.5-4.0%	2014	2034	4,765,000	4,075,000	185,000
Series 2016	2.25-4.0%	2016	2036	9,215,000	7,343,785	617,938
Series 2017	4.0%	2018	2028	1,801,007	<u>1,371,691</u>	<u>125,843</u>
Total General Obligation Bonds					<u>13,523,263</u>	<u>1,084,899</u>
Certificates of Obligation Bonds:						
Series 2010	1.25-4.4%	2010	2030	2,036,000	1,532,250	105,750
Series 2012	2.0-3.5%	2012	2032	2,219,000	682,500	40,500
Series 2018	3.0-3.4%	2018	2038	3,989,860	<u>3,989,860</u>	<u>67,488</u>
Total Certificates of Obligation Bonds					<u>6,204,610</u>	<u>213,738</u>
Total Long-Term Debt - Governmental Activities					<u>\$ 19,883,873</u>	<u>\$ 1,337,637</u>

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

	Balance 10/1/2017	New Debt or Increases	Transfers/ Refunded	Payments or Decreases	Balance 9/30/2018
Capital Leases:					
KS State Bank	\$ -	\$ 195,000	\$ -	\$ (39,000)	\$ 156,000
General Obligation Bonds:					
Series 2007	402,497	-	(402,497)	-	-
Series 2008	1,452,156	-	(1,344,880)	(107,276)	-
Series 2012	715,662	-	-	(98,712)	616,950
Series 2014	4,255,000	-	-	(180,000)	4,075,000
Series 2014 Ref	271,654	-	-	(155,817)	115,837
Series 2016 Ref	7,715,806	-	-	(372,021)	7,343,785
Series 2017 Ref	-	1,801,007	-	(429,316)	1,371,691
Total GO Bonds	<u>14,812,775</u>	<u>1,801,007</u>	<u>(1,747,377)</u>	<u>(1,343,142)</u>	<u>13,523,263</u>
Certificates of Obligation Bonds:					
Series 2010	1,633,500	-	-	(101,250)	1,532,250
Series 2012	723,000	-	-	(40,500)	682,500
Series 2018	-	3,989,860	-	-	3,989,860
Total CO Bonds	<u>2,356,500</u>	<u>3,989,860</u>	<u>-</u>	<u>(141,750)</u>	<u>6,204,610</u>
Premium/Discount	801,446	82,138	(91,680)	(47,485)	744,419
Total Capital Leases and Bonds	<u>\$ 17,970,721</u>	<u>\$ 6,068,005</u>	<u>\$ (1,839,057)</u>	<u>\$ (1,571,377)</u>	<u>\$ 20,628,292</u>

The aggregate debt service payments to maturity of the City's capital leases, bonds and certificates of deposit are as follows:

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Fiscal Year Sep. 30,	General Obligation Bonds, Certificates of Obligation & Capital Leases		
	Principal	Interest	Total
2019	1,337,637	673,316	2,684,269
2020	1,567,862	570,622	2,709,106
2021	1,478,960	527,059	2,533,078
2022	1,513,974	480,665	2,475,304
2023	1,156,548	435,799	2,028,146
2024-2028	5,645,429	1,601,816	7,247,245
2029-2033	4,579,699	793,874	5,373,573
2034-2036	2,603,764	164,749	2,768,513
	<u>\$ 19,883,873</u>	<u>\$ 5,247,900</u>	<u>\$ 27,819,234</u>

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CITY OF GAINESVILLE, TEXAS
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2. Business-Type Activities Long-Term Debt

As of September 30, 2018, 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	2030	1,111,500	885,300	61,100
Series 2012	2.0-3.5%	2012	2032	400,500	341,250	20,250
Series 2013	4%-2.75%	2013	2033	5,730,000	4,675,000	245,000
Series 2015	4%-2.75%	2015	2035	9,215,000	8,510,000	365,000
General Obligation Bonds:						
Series 2014	0.33-2.31%	2014	2020	1,888,818	290,390	143,910
Series 2016 Ref	2.25-4.0%	2016	2036	433,257	389,044	80,068
Series 2017 Ref	4.0%	2018	2028	1,191,663	1,111,419	101,931
					16,202,403	1,017,259
<u>Municipal Airport</u>						
General Obligation Bonds:						
Series 2014	0.33-2.31%	2014	2020	100,176	15,401	7,632
Series 2016 Ref	2.25-4.0%	2016	2036	72,009	64,661	13,308
					80,062	20,940
<u>Solid Waste Utility</u>						
Certificates of Obligation Bonds:						
Series 2018	3.0-3.4%	2018	2038	3,400,140	3,400,140	57,513
General Obligation Bonds:						
Series 2014	0.33-2.31%	2014	2020	1,194,790	142,636	70,687
Series 2016 Ref	2.25-4.0%	2016	2036	607,079	545,133	112,192
					4,087,909	240,392
<u>Stormwater Utility</u>						
Certificates of Obligation Bonds:						
Series 2010	1.25-4.4%	2010	2030	1,239,750	987,450	68,150
Series 2012	2.0-3.5%	2012	2032	1,468,500	1,251,250	74,250
General Obligation Bonds:						
Series 2012	2.0-3.0%	2012	2024	522,443	133,050	21,288
Series 2016 Ref	2.25-4.0%	2016	2036	347,750	312,265	64,267
Series 2017 Ref	4.0%	2018	2028	905,320	841,890	77,226
					3,525,905	305,181
<u>Municipal Golf Course</u>						
General Obligation Bonds:						
Series 2014	0.33-2.31%	2014	2020	4,784	736	364
Series 2016 Ref	2.25-4.0%	2016	2036	39,102	35,112	7,227
					35,848	7,591
Total Bonds - Proprietary Funds Activities					\$ 23,932,127	\$ 1,591,363

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

	Balance 10/1/2017	New Debt or Increases	Transfers/ Refunded	Payments or Decreases	Balance 9/30/2018
Water and Sewer Utility					
Certificates of Obligation Bonds:					
Series 2010	943,800	-	-	(58,500)	885,300
Series 2012	361,500	-	-	(20,250)	341,250
Series 2013	4,910,000	-	-	(235,000)	4,675,000
Series 2015	8,810,000	-	-	(300,000)	8,510,000
General Obligation Bonds:					
Series 2007	58,522	-	(58,522)	-	-
Series 2008	1,176,580	-	(1,089,688)	(86,892)	-
Series 2014	681,003	-	-	(390,613)	290,390
Series 2016	433,257	-	-	(44,213)	389,044
Series 2017	-	1,191,663	-	(80,244)	1,111,419
Discount/Premium	920,750	-	-	(54,825)	865,925
	<u>18,295,412</u>	<u>1,191,663</u>	<u>(1,148,210)</u>	<u>(1,270,537)</u>	<u>17,068,328</u>
Municipal Airport					
General Obligation Bonds:					
Series 2007	9,727	-	(9,727)	-	-
Series 2014	36,117	-	-	(20,716)	15,401
Series 2016	72,009	-	-	(7,348)	64,661
Series 2017	-	9,727	-	(9,727)	-
Discount/Premium	4,627	-	-	(252)	4,375
	<u>122,480</u>	<u>9,727</u>	<u>(9,727)</u>	<u>(38,043)</u>	<u>84,437</u>
Solid Waste Utility					
Certificates of Obligation Bonds:					
Series 2018	-	3,400,140	-	-	3,400,140
General Obligation Bonds:					
Series 2007	82,001	-	(82,001)	-	-
Series 2014	334,501	-	-	(191,865)	142,636
Series 2016	607,079	-	-	(61,946)	545,133
Series 2017	-	82,001	-	(82,001)	-
Discount/Premium	39,005	-	-	(2,122)	36,883
	<u>1,062,586</u>	<u>3,482,141</u>	<u>(82,001)</u>	<u>(337,934)</u>	<u>4,124,792</u>
Stormwater Utility					
General Obligation Bonds:					
Series 2007	46,972	-	(46,972)	-	-
Series 2008	891,264	-	(825,432)	(65,832)	-
Series 2012	154,338	-	-	(21,288)	133,050
Series 2016	347,750	-	-	(35,485)	312,265
Series 2017	-	905,320	-	(63,430)	841,890
Certificates of Obligation Bonds:					
Series 2010	1,052,700	-	-	(65,250)	987,450
Series 2012	1,325,500	-	-	(74,250)	1,251,250
Discount/Premium	28,511	-	(5,282)	(2,259)	20,970
	<u>3,847,035</u>	<u>905,320</u>	<u>(877,686)</u>	<u>(327,794)</u>	<u>3,546,875</u>
Municipal Golf Course					
General Obligation Bonds:					
Series 2007	5,281	-	(5,281)	-	-
Series 2014	1,725	-	-	(989)	736
Series 2016	39,102	-	-	(3,990)	35,112
Series 2017	-	5,281	-	(5,281)	-
Discount/Premium	2,511	-	-	(136)	2,375
	<u>48,619</u>	<u>5,281</u>	<u>(5,281)</u>	<u>(10,396)</u>	<u>38,223</u>
Totals	<u><u>\$ 23,376,132</u></u>	<u><u>\$ 5,594,132</u></u>	<u><u>\$(2,122,905)</u></u>	<u><u>\$(1,984,704)</u></u>	<u><u>\$ 24,862,655</u></u>

City of Gainesville, Texas
Notes to Basic Financial Statements
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Water and Sewer Utility

Fiscal Year Sep. 30,	Certificates of Obligation			General Obligation Bonds			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	691,350	481,111	1,172,461	325,909	36,293	362,202	1,017,259	517,404	1,534,663
2020	713,400	455,218	1,168,618	332,115	29,004	361,119	1,045,515	484,222	1,529,737
2021	741,000	427,136	1,168,136	176,697	23,045	199,742	917,697	450,181	1,367,878
2022	773,050	395,887	1,168,937	180,824	18,519	199,343	953,874	414,406	1,368,280
2023	811,400	360,925	1,172,325	128,755	14,618	143,373	940,155	375,543	1,315,698
2024-2028	4,492,800	1,352,467	5,845,267	646,553	30,897	677,450	5,139,353	1,383,364	6,522,717
2029-2033	4,923,550	618,200	5,541,750	-	-	-	4,923,550	618,200	5,541,750
2034-2036	1,265,000	43,938	1,308,938	-	-	-	1,265,000	43,938	1,308,938
	\$ 14,411,550	\$ 4,134,882	\$ 18,546,432	\$ 1,790,853	\$ 152,376	\$ 1,943,229	\$ 16,202,403	\$ 4,287,258	\$ 20,489,661

Municipal Airport Fund

Fiscal Year Sep. 30,	General Obligation Bonds		Total
	Principal	Interest	
2019	20,940	2,181	23,121
2020	21,403	1,621	23,024
2021	11,593	1,154	12,747
2022	12,002	739	12,741
2023	3,347	433	3,780
2024-2028	10,777	494	11,271
	80,062	6,622	86,684

Solid Waste Utility

Fiscal Year Sep. 30,	Certificates of Obligation			General Obligation Bonds			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	57,513	156,778	214,291	182,880	18,583	201,463	240,393	175,361	415,754
2020	117,325	101,608	218,933	186,895	13,744	200,639	304,220	115,352	419,572
2021	138,030	97,778	235,808	97,738	9,722	107,460	235,768	107,500	343,268
2022	140,331	93,603	233,934	101,180	6,233	107,413	241,511	99,836	341,347
2023	144,931	89,323	234,254	28,220	3,645	31,865	173,151	92,968	266,119
2024-2028	795,973	377,570	1,173,543	90,856	4,176	95,032	886,829	381,746	1,268,575
2029-2033	924,801	248,581	1,173,382	-	-	-	924,801	248,581	1,173,382
2034-2038	1,081,236	92,992	1,174,228	-	-	-	1,081,236	92,992	1,174,228
	3,400,140	1,258,233	4,658,373	687,769	56,103	743,872	4,087,909	1,314,336	5,402,245

City of Gainesville, Texas
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<u>Storwater Utility</u>		Certificates of Obligation			General Obligation Bonds			Totals		
		Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
Fiscal Year										
Sep. 30,										
2019	162,781	27,439	190,220	142,400	68,655	211,055	305,181	96,094	401,275	
2020	165,624	23,589	189,213	146,600	64,883	211,483	312,224	88,472	400,696	
2021	159,186	19,822	179,008	149,500	61,020	210,520	308,686	80,842	389,528	
2022	162,423	15,837	178,260	153,700	57,255	210,955	316,123	73,092	389,215	
2023	120,630	12,243	132,873	159,350	52,752	212,102	279,980	64,995	344,975	
2024-2028	516,561	23,902	540,463	880,200	177,192	1,057,392	1,396,761	201,094	1,597,855	
2029-2033	-	-	-	606,950	33,702	640,652	606,950	33,702	640,652	
	<u>1,287,205</u>	<u>122,832</u>	<u>1,410,037</u>	<u>2,238,700</u>	<u>515,459</u>	<u>2,754,159</u>	<u>3,525,905</u>	<u>638,291</u>	<u>4,164,196</u>	

<u>Golf Course Fund</u>		General Obligation Bonds		
Fiscal Year	Principal	Interest	Total	
Sep. 30,				
2019	7,590	1,062	8,652	
2020	7,776	835	8,611	
2021	6,295	626	6,921	
2022	6,517	402	6,919	
2023	1,818	235	2,053	
2024-2026	5,852	269	6,121	
	<u>35,848</u>	<u>3,429</u>	<u>39,277</u>	

CITY OF GAINESVILLE, TEXAS
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3. Component Unit Long-Term Debt

As of September 30, 2018, 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	1,588,630	245,419

The changes in GEDC debt is as follows:

	Balance 10/1/2017	Increase	Decrease	Balance 9/30/2018
Series 2014 Bond	\$ 1,826,826	-	(238,196)	\$ 1,588,630

Debt service payments to maturity of the GEDC debt is as follows:

Fiscal Year	Principal	Interest	Total
2019	245,419	44,153	289,572
2020	193,700	191,608	385,308
2021	225,871	159,437	385,308
2022	262,720	122,588	385,308
2023	305,581	79,727	385,308
2024	355,339	29,969	385,308
	<u>\$ 1,588,630</u>	<u>\$ 627,482</u>	<u>\$ 2,216,112</u>

4. Defeased Debt

As of September 30, 2018, the following defeased bonds remain outstanding:

	Amount
Series 1998 CO	\$ 1,110,000
Series 1998 GO	275,000
Series 1999 CO	335,000
Series 2000 CO	405,000
Series 2001 CO	2,305,000
Series 2002 CO	390,000
Series 2002 GO	2,080,000
Series 2003 CO	915,000
Series 2005 GO	1,115,000
Series 2008 GO	3,800,000
Series 2007 GO	5,400,000

5. Advance Refunding Bonds

The City issued General Obligation Refunding Bonds, Series 2017 on December 7, 2017. The bonds were issued to refund the balance of the 2007 General Obligation Bonds and the balance of the 2008 General Obligation Bonds. The par amount of the bonds refunded totaled \$3,865,000. As a result of the refunding, \$3,939,813 was placed with the refunding escrow agent. The debt service savings is \$338,318 and the present value of the savings of \$300,504. The difference between the par value of the refunded bonds and the amount placed with the escrow agent is a loss of \$74,813.

CITY OF GAINESVILLE, TEXAS
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6. 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, 2018 was \$684,316 of which \$14,483 is considered as a current liability. The change in the postclosure care costs liability for the fiscal year ended September 30, 2018 was an increase of \$14,411.

G. Compensated Absences

The activity related to compensated absences is as follows:

	Compensated Absences 10/1/2017	Earned	Used	Compensated Absences 9/30/2018	Current Portion
Governmental Funds	\$ 738,077	\$ 461,410	\$ 439,984	\$ 759,503	\$ 379,752
Proprietary Funds:					
Water & Sewer	52,903	37,238	38,296	51,845	25,923
Airport Fund	5,587	2,268	1,839	6,016	3,008
Stormwater Utility	571	-	523	48	24
Solid Waste	20,734	18,716	21,085	18,365	9,183
Golf Course	8,277	5,924	4,890	9,311	4,656
Component Unit	10,836	15,357	20,141	6,052	3,026
	<u>\$ 836,985</u>	<u>\$ 540,913</u>	<u>\$ 526,758</u>	<u>\$ 851,140</u>	<u>\$ 425,570</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 \$8,916,457 at September 30, 2018.

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 2018 CO Bond fund is classified as restricted for construction. This fund balance is unspent bond proceeds.

Other Funds

The fund balances of the Hotel/Motel Fund, Municipal Court Technology, Municipal Court Security, Juvenile Case Manager, Cable Peg Fee, Federal Seizure, Law Officer Education, State Seizure, 2016 GO Bonds and Cohen Scholarship are classified as Restricted because of externally imposed restrictions. The Cemetery Fund balance is classified as Nonspendable because of

CITY OF GAINESVILLE, TEXAS
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restrictions imposed by City ordinances. City Athletic Fields, Assigned Projects, Hospital Demolition 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.

Net investment in capital assets for the Water & Sewer fund and the Solid Waste fund have been calculated as follows:

	Water & Sewer Fund	Solid Waste Fund
Capital assets net of accumulated depreciation	\$ 23,639,861	\$ 1,689,318
Deferred Loss on Refunding	64,722	57,893
Less: Bonds & leases payable	(17,068,328)	(4,124,792)
Add back unspent bond funds	897,038	3,432,590
Net investment in capital assets	\$ 7,533,293	\$ 1,055,009

3. Net Position: Restricted

This component of net position is reported in the proprietary fund financial statements and in the government-wide financial statements. It represents amounts that are restricted for a particular purpose. At September 30, 2018, the City had funds restricted for capital projects, debt service and other programs.

4. 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 2018, 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

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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, 2018, the City paid \$649,134 to GTUA in accordance with these contracts.

The audited financial statements of the year ended September 30, 2018, for GTUA, issued by the GTUA's independent auditors, reflected total assets for the City projects as \$8,317,469, deferred outflows of resources of \$27,248, liabilities of 7,086,183, and total net position of \$1,258,534. Additionally, total revenues and expenses for the City's projects were \$663,442 and \$1,068,438, respectively. Revenues, as reported, included investment income of \$16,162.

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, 2018, was \$95,000.

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, 2018 was \$3,435,000.

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, 2018 was \$1,725,000.

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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, 2018 was \$895,000.

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, 2018 was \$845,000.

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
2019	550,000	143,937	693,937
2020	555,000	135,403	690,403
2021	560,000	126,893	686,893
2022	570,000	116,376	686,376
2023	585,000	103,924	688,924
2024-2028	2,170,000	375,102	2,545,102
2029-2033	2,005,000	105,482	2,110,482
	<u>\$ 6,995,000</u>	<u>\$ 1,107,117</u>	<u>\$ 8,102,117</u>

The debt obligation for GTUA's revenue bonds is not reflected in the City's financial statements and is presented for disclosure purposes only. The liability for the debt obligation, however, is separately presented in the publicly available September 30, 2018, 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, 2018, 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
2019	220,320	62,198	282,518
2020	225,720	59,588	285,308
2021	232,200	56,318	288,518
2022	237,600	52,406	290,006
2023	243,000	48,050	291,050
2024-2028	1,312,200	160,166	1,472,366
2029-2030	537,840	19,706	557,546
	<u>\$ 3,008,880</u>	<u>\$ 458,432</u>	<u>\$ 3,467,312</u>

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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.H. 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
Lynn Vessels Construction	Sump Bond Package H	4,352,740	4,266,002	86,738
Lynn Vessels Construction	Sump Bond Package I	5,137,135	1,484,669	3,652,466
HDR Engineering Inc	Golf Course Water Rights	21,000	13,607	7,393
HDR Engineering Inc	Elevated Water Tower Gateway	226,900	211,866	15,034
Kimley Horn	Sump Self Funded Oneal Street	115,000	53,500	61,500
Kimley Horn	Farmers Market Performance Venue	174,700	165,750	8,950
Kimley Horn	Sump Bond Package H	570,000	569,283	717
Gracon Construction	Waste Water Treatment Plant Phase 2	9,457,577	9,340,730	116,847
Phoenix Fabricator	Elevated Water Tower Gateway	993,899	905,754	88,145
Smoldt Construction	Farmers Market Performance Venue	2,040,021	804,758	1,235,263

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	Commitment	Expended to Date	Balance of Commitment
Granite, BHF	\$ 800,000	\$ 50,000	\$ 750,000
Trident Process Systems, LLC	410,000	315,700	94,300
Duraline	160,000	-	160,000
Liberty Crossing	1,000,000	200,000	800,000

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 \$54,501. Minimum future annual requirements are as follows:

Year Ended	Amount
2019	53,330
2020	52,694
2021	19,331
2022	1,953
2023	814
Total	<u>\$ 128,122</u>

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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 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.

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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, 2018, was \$11,385,000. Financial statements and other information may be obtained by contacting TASWA's business office, P.O. Box 249, Whitesboro, Texas 76273.

I. RETIREMENT PLANS

Each qualified employee participates in two retirement plans in which the City participates. These plans are administered by the Texas Municipal Retirement System (TMRS) and the Texas Emergency Services Retirement System (TESRS). The City does not maintain the accounting records, hold the investments, or administer either retirement plan.

The total (aggregate for the TMRS and TESRS plans) of the City's net pension liabilities, deferred outflows and deferred inflows of resources related to pensions as of September 30, 2018 and the pension expense for the year ended is as follows:

	<u>TMRS-City</u>	<u>TMRS-Component</u>	<u>TESRS</u>	<u>Total</u>
Net pension liability	\$ 4,609,211	\$ 92,070	\$ 7,201	\$4,708,482
Deferred outflows of resources	766,476	14,049	784	781,309
Deferred inflows of resources	1,387,197	28,377	-	1,415,574

1. Texas Municipal Retirement System

A. Plan Description

The City of Gainesville participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

B. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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Plan provision for the City were as follows:

Employee deposit rate	5%
Matching ration (City to Employee)	1.5-1
A member is vested after	5 years
Service retirement eligibility	20 years at any age, 5 years at age 60

Employees covered by benefit terms.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2017</u>
Inactive employees or beneficiaries currently receiving benefits	141
Inactive employees entitled to but not yet receiving benefits	108
Active Employees	<u>211</u>
	<u>460</u>

C. Contributions

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

Employees for the City of Gainesville were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Gainesville were 9.59% and 9.58% in calendar years 2017 and 2018, respectively. The city's contributions to TMRS for the year ended September 30, 2018 were \$1,061,273 and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	2.40% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

Actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in

**CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	<u>100.0%</u>	

Discount Rate

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

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CITY OF GAINESVILLE, TEXAS
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SEPTEMBER 30, 2018

Changes in the Net Pension Liability

	Increase (Decrease)-Total			Allocation	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	City Portion	Component Unit-Portion
Balance at 12/31/2016	\$41,892,525	\$34,253,029	\$ 7,639,496	\$7,489,884	\$ 149,612
Changes for the year:					
Service Cost	1,044,140	-	1,044,140	1,023,692	20,448
Interest	2,800,533	-	2,800,533	2,745,687	54,846
Difference between expected and actual expense	(476,904)	-	(476,904)	(467,564)	(9,340)
Changes of assumptions	-	-	-	-	-
Contributions-employer	-	1,041,967	(1,041,967)	(1,021,561)	(20,406)
Contributions-employees	-	543,257	(543,257)	(532,618)	(10,639)
Net investment income	-	4,746,611	(4,746,611)	(4,653,653)	(92,958)
Benefit payments, including refunds of employee contributions	(1,850,434)	(1,850,434)	-	-	-
Administrative expense	-	(24,603)	24,603	24,121	482
Other changes	-	(1,247)	1,247	1,222	25
Net change	<u>1,517,335</u>	<u>4,455,551</u>	<u>(2,938,216)</u>	<u>(2,880,674)</u>	<u>(57,542)</u>
Balance at 12/31/2017	<u>\$ 43,409,860</u>	<u>\$ 38,708,580</u>	<u>\$ 4,701,280</u>	<u>\$ 4,609,210</u>	<u>\$ 92,070</u>

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate 5.75%	Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability	\$ 10,736,312	\$ 4,609,210	\$ (386,972)
Component unit pension liability	\$ 214,460	\$ 92,070	\$ (7,730)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2018. The city recognized pension expense of \$834,677 and the component unit recognized expense of \$16,673.

At September 30, 2018, the city reported deferred outflows of resources and deferred inflows or resources related to pensions for the following sources:

CITY OF GAINESVILLE, TEXAS
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	City		Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 10,759	\$ 419,784	\$ 215	\$ 8,385
Changes in actuarial assumptions	-	22,451	-	448
Difference between projected and actual investment earnings	-	944,962	-	19,544
Contributions subsequent to the measurement date	755,717	-	13,834	-
Total	\$ 766,476	\$ 1,387,197	\$ 14,049	\$ 28,377

\$766,476 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018 for the City. \$14,049 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018 for the component unit. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	City Portion	Component Unit
Fiscal Year Ended September 30,		
2019	\$ (135,446)	\$ (2,706)
2020	(149,229)	(2,981)
2021	(585,479)	(11,695)
2022	(506,938)	(10,126)
2023	-	-
Thereafter	-	-

2. Texas Emergency Services Retirement System (TESRS)

A. Plan Description

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

Of the nine-member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2017, there were 235 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.

B. Benefits Provided

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

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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.

C. Contributions

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, 2017, total contributions (dues, prior service, and interest on prior service financing) of \$5,012,132 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,583,825 for the fiscal year ending August 31, 2017.

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, 2017 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 \$725,000 each year to pay for part of the System's administrative expenses.

The City's contribution for 2018, 2017 and 2016 was \$1,028, \$1,872 and \$1,188 respectively.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of August 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
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 2024 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

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
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return by the target asset allocation percentage (currently 4.97%) and by adding expected inflation (3.0%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflected a reduction of 0.22% for adverse deviation. The target allocation and expected arithmetic real rates of return are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Equities		
Large cap domestic	32.0%	5.72%
Small cap domestic	10.0%	5.96%
Developed international	21.0%	6.21%
Emerging markets	6.0%	7.18%
Master limited partnership	5.0%	7.61%
Fixed Income		
Domestic	21.0%	1.61%
International	5.0%	1.81%
Cash	0.0%	0.00%
Total	<u>100.0%</u>	
Weighted Average		4.97%

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.75, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	<u>1% Decrease in Discount Rate 6.75%</u>	<u>Discount Rate 7.75%</u>	<u>1% Increase in Discount Rate 8.75%</u>
City's net pension liability	<u>\$ 13,446</u>	<u>\$ 10,195</u>	<u>\$ 3,260</u>

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CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 8/31/2016	\$ 36,928	\$ 28,189.20	\$ 8,738
Changes for the year:			
Service Cost	478	-	478
Interest	2,840	-	2,840
Difference between expected and actual expense	-	-	-
Changes of assumptions	-	-	-
Contributions-employer	-	1,504	(1,504)
Contributions-employees	-	475	(475)
Net investment income	-	2,933	(2,933)
Benefit payments, including refunds of employee contributions	(1,510)	(1,510)	-
Administrative expense	-	(55)	55
Other changes	-	-	-
Net change	1,809	3,347	(1,538)
Balance at 8/31/2017	\$ 38,736	\$ 31,536	\$ 7,201

Pension Plan Fiduciary Net Position

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

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

At September 30, 2018, the city reported deferred outflows of resources and deferred inflows or resources related to pensions for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 784	\$ -

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31,	
2019	\$ 622
2020	(30)
2020	(146)
Thereafter	-

3. Postemployment Benefits Plan-Supplemental Death Benefits Fund (SDBF)

A. Plan Description

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees.

CITY OF GAINESVILLE, TEXAS
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B. Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employees' actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OEPB plan with no asset accumulation.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

	2017
Inactive employees or beneficiaries currently receiving benefits	101
Inactive employees entitled to but not yet receiving benefits	25
Active Employees	211
	337

C. 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 2017	Calendar Year 2018
Total Contribution Rate	0.20%	0.21%
Retiree Portion of Contribution Rate	0.07%	0.06%

The City's contribution to the SDBF for the year ended September 30, 2018 was \$22,952.

D. Net OPEB Liability

The City's net OPEB liability was measured as of December 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial experience study for the period December 31, 2010 to December 31, 2014.

The actuarial assumptions used are as follows:

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CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Inflation	2.5% per year
Overall Payroll Growth	3.5% to 10.5% including inflation
Discount Rate	3.31%
Retirees' share of benefit-related costs	\$0
Administrative Expense	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates-service retirees	RP2000 Combined Mortality Table with Blue Collar adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
Mortality rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Changes in the Net OPEB Liability

	Total OPEB Liability	Total OPEB Liability City Portion	Total OPEB Liability Component Unit
Total OPEB liability -Balance at beginning of year	\$ 586,366	\$ 574,883	\$ 11,483
Changes for the year:			
Service Cost	19,557	19,174	383
Interest on total OPEB liability	22,391	21,952	439
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions or other inputs	49,108	48,146	962
Benefit payments	(7,606)	(7,457)	(149)
Net change	83,450	81,815	1,635
Total OPEB liability -End of year	<u>\$ 669,816</u>	<u>\$ 656,698</u>	<u>\$ 13,118</u>

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

The following present the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate of 1% lower or 1% higher than the current discount rate.

	1% Decrease in Discount Rate 2.31%	Current Discount Rate 3.31%	1% Increase in Discount Rate 4.31%
City's net OPEB liability	<u>\$ 779,262</u>	<u>\$ 656,698</u>	<u>\$ 560,217</u>
Component unit's net OPEB	<u>\$ 15,566</u>	<u>\$ 13,118</u>	<u>\$ 11,191</u>

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$91,056. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resource related to OPEB from the following sources:

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
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	City's Portion		Component Units Portion	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ -	\$ -	\$ -
Changes in assumptions and other inputs	27,829	-	788	-
Contributions subsequent to the measurement date	16,538	-	330	-
Total	\$ 44,367	\$ -	\$ 1,118	\$ -

\$16,538 was reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2018 for the City. \$330 was reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2018 for the component unit. Other amounts reported a deferred outflows and inflows of resources related to OPEBs will be recognized in the OPEB expense as follows:

	City's Portion	Component Unit's Portion
Fiscal Year Ended September 30,		
2018	\$ 8,690	\$ 174
2019	8,690	174
2020	8,690	174
2021	8,690	174
2022	4,694	94
Thereafter	-	-

J. Tax Abatements

The City has entered into property tax abatement agreements with local businesses under the Property Redevelopment and Tax Abatement Act, Chapter 312, V.T.C.A, Tax Code. Localities may grant property tax abatements of up to 50% of a business' property tax bill for attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the service area of the City. For the fiscal year ended September 30, 2018, the City abated property taxes totaling \$742,643 under this program, including the following tax abatement agreements that each exceeded 10% of the total amount abated:

- A 50% property tax abatement to an oil well service company to stimulate investment and economic development. The tax abatement amounted to \$644,714.

K. Subsequent Events

The City's management has evaluated subsequent events through March 11, 2019, the date which the financial statements were available for issue.



Required Supplemental Information

CITY OF GAINESVILLE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

REVENUES:	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Ad Valorem Taxes	\$ 4,762,203	\$ 4,886,530	\$ 5,003,454	\$ 116,924
Sales Taxes	1,796,584	3,548,118	4,958,203	1,410,085
Franchise Fees	1,303,168	1,288,168	1,279,335	(8,833)
Mixed Beverage Tax	34,492	34,492	36,271	1,779
Service Charges	1,009,500	956,116	1,083,391	127,275
License & Permits	270,600	377,700	531,598	153,898
Fines & Forfeitures	437,700	309,503	479,047	169,544
Investment Income	30,000	80,000	152,965	72,965
Intergovernmental Revenues	36,540	35,802	65,016	29,214
Donations	-	-	195,217	195,217
Other Income	112,120	183,009	178,908	(4,101)
TOTAL REVENUES	9,792,907	11,699,438	13,963,405	2,263,967
EXPENDITURES:				
Current				
General Government				
Administration	521,558	520,001	487,554	32,447
Human Resources	188,438	189,998	187,394	2,604
Main Street Operations	45,000	27,000	27,000	-
Information Technology	207,033	209,125	200,179	8,946
Building Operations	61,696	71,336	62,893	8,443
Public Assistance Programs	89,450	89,450	83,250	6,200
Municipal Court	270,394	267,677	261,953	5,724
Civic Center Operations	266,602	277,573	244,844	32,729
Total General Government	1,650,171	1,652,160	1,555,067	97,093
Community Development				
Planning and Zoning	182,863	190,809	189,076	1,733
Inspections	443,051	409,441	370,407	39,034
Total Community Development	625,914	600,250	559,483	40,767
Finance				
	491,790	511,776	479,609	32,167
Public Safety				
Police	4,944,108	4,887,666	4,594,916	292,750
Emergency Management	34,841	34,852	30,824	4,028
Fire	3,897,680	3,854,555	3,890,755	(36,200)
Total Public Safety	8,876,629	8,777,073	8,516,495	260,578
Public Works				
Administration	80,996	82,344	79,850	2,494
Street Maintenance	907,576	896,396	831,294	65,102
Central Garage	210,424	233,696	217,056	16,640
Parks and Recreation Operations	904,086	896,598	814,129	82,469
Zoo Operations	1,239,546	1,228,537	1,186,824	41,713
Cemetery Operations	274,992	278,027	265,103	12,924
Total Public Works	3,617,620	3,615,598	3,394,256	221,342

CITY OF GAINESVILLE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(Continued)

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
Non Departmental	-	-	-	-
Debt Service				
Principal	-	-	39,000	(39,000)
Interest	-	-	-	-
Capital Outlay	683,110	780,038	1,019,191	(239,153)
TOTAL EXPENDITURES	<u>15,945,234</u>	<u>15,936,895</u>	<u>15,563,101</u>	<u>373,794</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,152,327)</u>	<u>(4,237,457)</u>	<u>(1,599,696)</u>	<u>2,637,761</u>
OTHER FINANCING SOURCES (USES):				
Issuance of Debt	-	-	195,000	195,000
Funds Transferred In	3,353,437	3,255,437	3,342,671	87,234
Funds Transferred Out	(183,000)	(183,000)	(1,912,975)	(1,729,975)
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,170,437</u>	<u>3,072,437</u>	<u>1,624,696</u>	<u>(1,447,741)</u>
NET CHANGE IN FUND BALANCES	<u>(2,981,890)</u>	<u>(1,165,020)</u>	<u>25,000</u>	<u>1,190,020</u>
FUND BALANCE - October 1	<u>8,899,989</u>	<u>8,899,989</u>	<u>8,899,989</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 5,918,099</u>	<u>\$ 7,734,969</u>	<u>\$ 8,924,989</u>	<u>\$ 1,190,020</u>

CITY OF GAINESVILLE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS-TMRS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Plan Year Ended December 31,			
	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 1,044,140	\$ 1,032,475	\$ 983,604	\$ 904,131
Interest (on the total pension liability)	2,800,533	2,675,417	2,667,580	2,583,710
Changes of benefit terms				
Difference between expected and actual experience	(476,904)	17,839	(96,053)	(277,847)
Change of assumptions			(78,753)	
Benefit payments, including refunds of employee contributions	(1,850,434)	(1,907,792)	(2,036,560)	(2,066,593)
Net Change in Total Pension Liability	<u>1,517,335</u>	<u>1,817,939</u>	<u>1,439,818</u>	<u>1,143,401</u>
Total Pension Liability - Beginning	<u>41,892,525</u>	<u>40,074,586</u>	<u>38,634,768</u>	<u>37,491,367</u>
Total Pension Liability - Ending	<u>\$ 43,409,860</u>	<u>\$ 41,892,525</u>	<u>\$ 40,074,586</u>	<u>\$ 38,634,768</u>
Plan Fiduciary Net Pension				
Contributions - employer	\$ 1,041,967	\$ 991,986	\$ 1,006,406	\$ 1,106,406
Contributions - employee	543,257	532,753	518,232	524,860
Net investment income	4,746,611	2,191,755	48,641	1,808,335
Benefit payments, including refunds of employee contributions	(1,850,434)	(1,907,792)	(2,036,560)	(2,066,593)
Administrative expense	(24,603)	(24,783)	(29,628)	(18,881)
Other	(1,247)	(1,335)	(1,463)	(1,552)
Net Change in Plan Fiduciary Net Position	<u>4,455,551</u>	<u>1,782,584</u>	<u>(494,372)</u>	<u>1,352,575</u>
Plan Fiduciary Net Position - Beginning	<u>34,253,029</u>	<u>32,470,445</u>	<u>32,964,817</u>	<u>31,612,242</u>
Plan Fiduciary Net Position - Ending	<u>\$ 38,708,580</u>	<u>\$ 34,253,029</u>	<u>\$ 32,470,445</u>	<u>\$ 32,964,817</u>
Net Pension Liability - Ending	<u>\$ 4,701,280</u>	<u>\$ 7,639,496</u>	<u>\$ 7,604,141</u>	<u>\$ 5,669,951</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.17%	81.76%	81.03%	85.32%
Covered Payroll	\$ 10,865,140	\$ 10,655,057	\$ 10,364,634	\$ 10,295,465
Net Pension Liability as a Percentage of Covered Payroll	43.27%	71.70%	73.37%	55.07%

CITY OF GAINESVILLE, TEXAS
SCHEDULE OF CONTRIBUTIONS-TMRS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Fiscal Year Ended September 30			
	2018	2017	2016	2015
Actuarially determined contribution	1,061,273	1,048,344	1,024,989	1,047,978
Contributions in relation to actuarially determined contribution	(1,061,273)	(1,048,344)	(1,024,989)	(1,047,978)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 11,074,513	\$ 10,790,139	\$ 10,364,634	\$ 10,295,465
Contributions as a percentage of covered payroll	9.58%	9.72%	9.89%	10.18%

**CITY OF GAINESVILLE, TEXAS
NOTES TO SCHEDULE OF CONTRIBUTIONS-TMRS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	24 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information	There were no benefit changes during the year.

CITY OF GAINESVILLE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS-TESRS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Plan Year Ended August 31,			
	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 478	\$ 593	\$ 305	\$ 347
Interest (on the total pension liability)	2,840	3,116	1,525	1,530
Changes of benefit terms		253		
Difference between expected and actual experience		23		
Change of assumptions	(6,155)	19,950	(1,098)	
Benefit payments, including refunds of employee contributions	(1,510)	(1,646)	(810)	(792)
Net Change in Total Pension Liability	<u>(4,347)</u>	<u>22,289</u>	<u>(78)</u>	<u>1,085</u>
Total Pension Liability - Beginning	43,083	20,794	20,872	19,787
Total Pension Liability - Ending	<u>\$ 38,736</u>	<u>\$ 43,083</u>	<u>\$ 20,794</u>	<u>\$ 20,872</u>
Plan Fiduciary Net Pension				
Contributions - employer	\$ 1,504	\$ 1,212	\$ 633	\$ 794
Contributions - employee	475	554	295	291
Net investment income	2,933	1,735	(593)	2,263
Benefit payments, including refunds of employee contributions	(1,510)	(1,646)	(810)	(792)
Administrative expense	(56)	(56)	(39)	(33)
Other	(4,697)	15,100	(917)	-
Net Change in Plan Fiduciary Net Position	<u>(1,351)</u>	<u>16,899</u>	<u>(1,431)</u>	<u>2,523</u>
Plan Fiduciary Net Position - Beginning	32,888	15,989	17,420	14,896
Plan Fiduciary Net Position - Ending	<u>\$ 31,537</u>	<u>\$ 32,888</u>	<u>\$ 15,989</u>	<u>\$ 17,419</u>
Net Pension Liability - Ending	<u>\$ 7,199</u>	<u>\$ 10,195</u>	<u>\$ 4,805</u>	<u>\$ 3,453</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.42%	76.34%	76.89%	83.46%

CITY OF GAINESVILLE, TEXAS
SCHEDULE OF CONTRIBUTIONS-TESRS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Fiscal Year Ended September 30			
	2018	2017	2016	2015
Actuarially determined contribution	1,872	1,872	1,188	864
Contributions in relation to actuarially determined contribution	1,872	1,872	1,188	864
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -

CITY OF GAINESVILLE, TEXAS
NOTES TO SCHEDULE OF CONTRIBUTIONS-TESRS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Valuation Date August 31, 2016

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, open
Remaining 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
Inflation	3.0%
Salary increases	n/a
Investment rate of return	7.75% per year, net of investment expenses
Mortality	RP2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA

CITY OF GAINESVILLE, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS-TESRS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Plan Year Ended December 31, 2017
Total OPEB Liability	<u>December 31, 2017</u>
Service Cost	\$ 19,557
Interest (on the total pension liability)	22,391
Changes of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	49,108
Benefit payments, including refunds of employee contributions	<u>(7,606)</u>
Net Change in Total OPEB Liability	83,450
Total OPEB Liability - Beginning	586,366
Total OPEB Liability - Ending	<u>\$ 669,816</u>
Covered Payroll	10,865,140
Total OPEB Liability as a Percentage of Tcovered Payroll	6.16%

**CITY OF GAINESVILLE, TEXAS
NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	17 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based tabler based on rates that are specific to the Ciuty's plan
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information	There were no benefit changes during the year.



Combining Financial Statements

**CITY OF GAINESVILLE, TEXAS
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

REVENUE FUNDS

	MUNICIPAL COURT TECHNOLOGY	MUNICIPAL COURT SECURITY	HOTEL/ MOTEL	LAW ENFORCEMENT EDUCATION	G.L.V.E.	JUVENILE CASE MANAGER	HOSPITAL DEMOLITION	CITY ATHLETIC FIELDS	FLOOD REPAIRS	CABLE PEG FEE FUND
ASSETS:										
Cash	\$ 12,960	\$ 19,333	\$ 91,258	\$ 13	\$ -	\$ 21,726	\$ 1,087,431	\$ 14,800	\$ -	\$ 132,720
Investments	-	-	-	-	-	-	-	-	-	-
Receivables (Net of Allowances for Uncollectibles)	-	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-	-	-
Other	-	-	60,695	-	-	371	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-	-
Interfund Receivables	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 12,960	\$ 19,333	\$ 151,953	\$ 13	\$ -	\$ 22,097	\$ 1,087,431	\$ 14,800	\$ -	\$ 132,720
LIABILITIES AND FUND BALANCES										
LIABILITIES:										
Accounts Payable	\$ 4,042	\$ -	\$ 2,035	\$ -	\$ -	\$ 837	\$ 90	\$ 1,932	\$ -	\$ -
Interfund Payable	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	4,042	-	2,035	-	-	837	90	1,932	-	-
FUND BALANCES:										
Nonspendable:										
Cemetery	-	-	-	-	-	-	-	-	-	-
Restricted:										
Construction	-	-	-	-	-	-	-	-	-	-
Tourism and the Arts	-	-	149,918	-	-	-	-	-	-	-
Other	8,918	19,333	-	13	-	21,260	-	-	-	132,720
Assigned:										
Construction	-	-	-	-	-	-	1,087,341	-	-	-
Other	-	-	-	-	-	-	-	12,868	-	-
Unassigned										
TOTAL FUND BALANCES	8,918	19,333	149,918	13	-	21,260	1,087,341	12,868	-	132,720
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,960	\$ 19,333	\$ 151,953	\$ 13	\$ -	\$ 22,097	\$ 1,087,431	\$ 14,800	\$ -	\$ 132,720

**CITY OF GAINESVILLE, TEXAS
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	SPECIAL REVENUE FUNDS		CONSTRUCTION PROJECTS		FUNDS		PERMANENT FUNDS		TOTAL
	FEDERAL SEIZURE FUND	STATE SEIZURE FUND	CONSTRUCTION PROJECTS FUND	ASSIGNED PROJECTS FUND	2014 GO BONDS	2016 GO BONDS	CEMETERY PERMANENT	COHEN SCHOLARSHIP	
ASSETS:									
Cash	\$ 3,032	\$ 30,881	\$ 2,518,456	\$ 2,733,783	\$ -	\$ 4,203,761	\$ 1,566,844	\$ 10,969	\$ 12,447,967
Investments	-	-	-	-	-	-	-	-	-
Receivables (Net of Allowances for Uncollectibles)	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-	-
Other	-	-	860	-	-	-	-	-	61,926
Inventory	-	-	-	-	-	-	-	-	-
Interfund Receivables	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 3,032	\$ 30,881	\$ 2,519,316	\$ 2,733,783	\$ -	\$ 4,203,761	\$ 1,566,844	\$ 10,969	\$ 12,509,893
LIABILITIES AND FUND BALANCES									
LIABILITIES:									
Accounts Payable	\$ -	\$ 2,160	\$ 173,838	\$ -	\$ -	\$ 535,758	\$ -	\$ -	\$ 720,692
Interfund Payable	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	2,160	173,838	-	-	535,758	-	-	720,692
FUND BALANCES:									
Nonspendable:									
Cemetery	-	-	-	-	-	-	1,566,844	-	1,566,844
Restricted:									
Construction	-	-	-	-	-	3,668,003	-	-	3,668,003
Tourism and the Arts	-	-	-	-	-	-	-	-	149,918
Other	3,032	28,721	-	-	-	-	-	10,969	224,966
Assigned:									
Construction	-	-	2,345,478	-	-	-	-	-	3,432,819
Other	-	-	-	2,733,783	-	-	-	-	2,746,651
Unassigned									
TOTAL FUND BALANCES	3,032	28,721	2,345,478	2,733,783	-	3,668,003	1,566,844	10,969	11,789,201
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,032	\$ 30,881	\$ 2,519,316	\$ 2,733,783	\$ -	\$ 4,203,761	\$ 1,566,844	\$ 10,969	\$ 12,509,893

CITY OF GAINESVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	MUNICIPAL COURT TECH.	MUNICIPAL COURT SECURITY	HOTEL/ MOTEL	LAW ENFORCEMENT EDUCATION	G.I.V.E	JUVENILE CASE MANAGER	HOSPITAL DEMOLITON	CITY ATHLETIC FIELDS	FLOOD REPAIRS	CABLE PEG FEE FUND
REVENUES										
Taxes:										
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-	-	-
Occupancy Tax	-	-	677,075	-	-	-	-	-	-	-
Service Charges	-	-	-	-	-	-	-	13,335	-	-
License & Permits	-	-	-	-	-	-	-	-	-	12,979
Fines & Forfeitures	11,847	8,845	-	-	-	17,756	-	-	-	-
Investment Income	136	195	8,274	13	-	328	22,500	183	247	1,586
Intergovernmental Revenues	-	-	-	-	-	-	-	-	333,298	-
Other Income	-	-	-	3,592	-	-	-	-	-	-
TOTAL REVENUES	11,983	9,040	685,349	3,605	-	18,084	22,500	13,518	333,545	14,565
EXPENDITURES										
Current:										
General Government	-	-	136,135	-	-	-	270	-	-	-
Community Development	-	-	-	-	-	-	-	-	-	-
Finance	-	-	-	-	-	-	-	-	-	-
Public Safety	14,552	1,848	-	3,592	-	1,509	-	-	-	-
Public Works	-	-	-	-	-	-	-	20,442	-	-
Debt Service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	20,005	-	-	-	-	-	-	-
TOTAL EXPENDITURES	14,552	1,848	156,140	3,592	-	1,509	270	20,442	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,569)	7,192	529,209	13	-	16,575	22,230	(6,924)	333,545	14,565
OTHER FINANCING SOURCES (USES):										
Funds Transferred In	-	-	-	-	-	-	-	-	-	-
Funds Transferred Out	-	-	(1,071,073)	-	(571)	(12,600)	(500,000)	-	(487,295)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(1,071,073)	-	(571)	(12,600)	(500,000)	-	(487,295)	-
NET CHANGE IN FUND BALANCES	(2,569)	7,192	(541,864)	13	(571)	3,975	(477,770)	(6,924)	(153,750)	14,565
FUND BALANCE - October 1	11,487	12,141	691,782	-	571	17,285	1,565,111	19,792	153,750	118,155
FUND BALANCE - September 30	\$ 8,918	\$ 19,333	\$ 149,918	\$ 13	\$ -	\$ 21,260	\$ 1,087,341	\$ 12,868	\$ -	\$ 132,720

CITY OF GAINESVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	SPECIAL REVENUE FUNDS		CONSTRUCTION		PROJECTS FUNDS		PERMANENT FUNDS		TOTAL
	FEDERAL SEIZURE FUND	STATE SEIZURE FUND	CONSTRUCTION PROJECTS FUND	ASSIGNED PROJECTS FUND	2014 GO BONDS	2016 GO BONDS	CEMETERY PERMANENT	COHEN SCHOLARSHIP	
REVENUES									
Taxes:									
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-	-
Occupancy Tax	-	-	-	-	-	-	-	-	677,075
Service Charges	-	-	-	-	-	-	-	-	13,335
License & Permits	-	-	-	-	-	-	-	-	12,979
Fines & Forfeitures	-	-	-	-	-	-	-	-	38,448
Investment Income	37	384	17,327	31,710	4,492	70,840	23,399	165	181,816
Intergovernmental Revenues	-	-	-	-	-	-	-	-	333,298
Other Income	-	473	-	-	-	-	35,245	-	39,310
TOTAL REVENUES	37	857	17,327	31,710	4,492	70,840	58,644	165	1,296,261
EXPENDITURES									
Current:									
General Government	-	-	3,983	-	-	11,371	-	-	151,759
Community Development	-	-	-	-	-	-	-	-	-
Finance	-	-	-	-	-	-	-	-	-
Public Safety	-	3,150	724	-	-	-	-	-	25,375
Public Works	-	-	3,460	-	-	-	-	-	23,902
Debt Service:									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	691,648	704,554	1,087,134	2,064,955	-	-	4,568,296
TOTAL EXPENDITURES	-	3,150	699,815	704,554	1,087,134	2,076,326	-	-	4,769,332
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	37	(2,293)	(682,488)	(672,844)	(1,082,642)	(2,005,486)	58,644	165	(3,473,071)
OTHER FINANCING SOURCES (USES):									
Funds Transferred In	-	-	2,572,214	1,751,278	-	608,219	-	-	4,931,711
Funds Transferred Out	-	-	(887,650)	(864,255)	(108,744)	-	(3,750)	-	(3,935,938)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	1,684,564	887,023	(108,744)	608,219	(3,750)	-	995,773
NET CHANGE IN FUND BALANCES	37	(2,293)	1,002,076	214,179	(1,191,386)	(1,397,267)	54,894	165	(2,477,298)
FUND BALANCE - October 1	2,995	31,014	1,343,402	2,519,604	1,191,386	5,065,270	1,511,950	10,804	14,266,499
FUND BALANCE - September 30	\$ 3,032	\$ 28,721	\$ 2,345,478	\$ 2,733,783	\$ -	\$ 3,668,003	\$ 1,566,844	\$ 10,969	\$ 11,789,201



Budgetary Comparison Schedules
Major Governmental Funds

CITY OF GAINESVILLE, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Ad Valorem Taxes	\$ 2,320,350	\$ 2,330,202	\$ 2,416,580	\$ 86,378
Investment Income	8,000	16,775	27,103	10,328
Other Income	11,160	15,000	20,850	5,850
TOTAL REVENUES	<u>2,339,510</u>	<u>2,361,977</u>	<u>2,464,533</u>	<u>102,556</u>
EXPENDITURES				
Current:				
General Government	101,500	108,500	109,338	(838)
Debt Service				
Principal Retirement	1,484,891	1,484,891	1,484,891	-
Interest and Fiscal Charges	531,235	517,510	518,138	(628)
Debt Issuance Costs	-	24,951	16,357	8,594
TOTAL EXPENDITURES	<u>2,117,626</u>	<u>2,135,852</u>	<u>2,128,724</u>	<u>7,128</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>221,884</u>	<u>226,125</u>	<u>335,809</u>	<u>109,684</u>
OTHER FINANCING SOURCES (USES)				
Refunding Bonds Issued	-	1,806,151	1,801,007	(5,144)
Payment to Refunding Escrow Agent	-	(1,781,200)	(1,778,240)	2,960
Funds Transferred In	163,225	135,014	101,071	(33,943)
Funds Transferred Out	(385,109)	(386,090)	(385,337)	753
TOTAL OTHER FINANCING SOURCES (USES)	<u>(221,884)</u>	<u>(226,125)</u>	<u>(261,499)</u>	<u>(35,374)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>74,310</u>	<u>74,310</u>
FUND BALANCE - October 1	<u>1,371,883</u>	<u>1,371,883</u>	<u>1,371,883</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 1,371,883</u>	<u>\$ 1,371,883</u>	<u>\$ 1,446,193</u>	<u>\$ 74,310</u>

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



Budgetary Comparison Schedules
Nonmajor Governmental Funds

CITY OF GAINESVILLE, TEXAS
ASSIGNED PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>BUDGET</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ -
Investment Income	3,000	20,000	31,710	11,710
Other Income	-	-	-	-
TOTAL REVENUES	<u>3,000</u>	<u>20,000</u>	<u>31,710</u>	<u>11,710</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Capital Outlay	1,608,000	1,629,748	704,554	925,194
Total EXPENDITURES	<u>1,608,000</u>	<u>1,629,748</u>	<u>704,554</u>	<u>925,194</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,605,000)</u>	<u>(1,609,748)</u>	<u>(672,844)</u>	<u>936,904</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	1,751,278	1,751,278
Funds Transferred Out	(854,000)	(2,000)	(864,255)	(862,255)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(854,000)</u>	<u>(2,000)</u>	<u>887,023</u>	<u>889,023</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(2,459,000)</u>	<u>(1,611,748)</u>	<u>214,179</u>	<u>1,825,927</u>
FUND BALANCE - October 1	<u>2,519,604</u>	<u>2,519,604</u>	<u>2,519,604</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 60,604</u>	<u>\$ 907,856</u>	<u>\$ 2,733,783</u>	<u>\$ 1,825,927</u>

**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, 2018**

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines & Forfeitures	\$ 14,000	\$ 11,000	\$ 11,847	\$ 847
Investment Income	22	75	136	61
Other Income	-	-	-	-
TOTAL REVENUES	<u>14,022</u>	<u>11,075</u>	<u>11,983</u>	<u>908</u>
EXPENDITURES				
Current:				
Public Safety	<u>12,900</u>	<u>8,975</u>	<u>14,552</u>	<u>(5,577)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,122</u>	<u>2,100</u>	<u>(2,569)</u>	<u>(4,669)</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>1,122</u>	<u>2,100</u>	<u>(2,569)</u>	<u>(4,669)</u>
FUND BALANCE - October 1	<u>6,081</u>	<u>11,487</u>	<u>11,487</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 7,203</u>	<u>\$ 13,587</u>	<u>\$ 8,918</u>	<u>\$ (4,669)</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, 2018

	<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				
Fines & Forfeitures	\$ 10,650	\$ 10,000	\$ 8,845	\$ (1,155)
Investment Income	15	25	195	170
Other Income	-	-	-	-
TOTAL REVENUES	<u>10,665</u>	<u>10,025</u>	<u>9,040</u>	<u>(985)</u>
EXPENDITURES				
Current:				
Public Safety	2,900	2,900	1,848	1,052
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>2,900</u>	<u>2,900</u>	<u>1,848</u>	<u>1,052</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,765</u>	<u>7,125</u>	<u>7,192</u>	<u>67</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>7,765</u>	<u>7,125</u>	<u>7,192</u>	<u>67</u>
FUND BALANCE - October 1	<u>12,141</u>	<u>12,141</u>	<u>12,141</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 19,906</u>	<u>\$ 19,266</u>	<u>\$ 19,333</u>	<u>\$ 67</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, 2018

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Other Local Taxes	\$ 600,000	\$ 600,000	\$ 677,075	\$ 77,075
Investment Income	1,400	7,500	8,274	774
Other Income	-	-	-	-
TOTAL REVENUES	<u>601,400</u>	<u>607,500</u>	<u>685,349</u>	<u>77,849</u>
EXPENDITURES				
Current:				
General Government	155,200	155,200	136,135	19,065
Capital Outlay	700,000	700,000	20,005	679,995
TOTAL EXPENDITURES	<u>855,200</u>	<u>855,200</u>	<u>156,140</u>	<u>699,060</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(253,800)</u>	<u>(247,700)</u>	<u>529,209</u>	<u>776,909</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	(390,981)	(390,981)	(1,071,073)	(680,092)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(390,981)</u>	<u>(390,981)</u>	<u>(1,071,073)</u>	<u>(680,092)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(644,781)</u>	<u>(638,681)</u>	<u>(541,864)</u>	<u>96,817</u>
FUND BALANCE - October 1	<u>691,782</u>	<u>691,782</u>	<u>691,782</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 47,001</u>	<u>\$ 53,101</u>	<u>\$ 149,918</u>	<u>\$ 96,817</u>

**CITY OF GAINESVILLE, TEXAS
 LAW ENFORCEMENT EDUCATION
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines & Forfeitures	\$ -	\$ -	\$ -	\$ -
Investment Income	-	6	13	7
Other Income	-	3,592	3,592	-
TOTAL REVENUES	<u>-</u>	<u>3,598</u>	<u>3,605</u>	<u>7</u>
EXPENDITURES				
Current:				
Public Safety	3,116	3,592	3,592	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>3,116</u>	<u>3,592</u>	<u>3,592</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,116)</u>	<u>6</u>	<u>13</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>(3,116)</u>	<u>6</u>	<u>13</u>	<u>7</u>
FUND BALANCE - October 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ (3,116)</u>	<u>\$ 6</u>	<u>\$ 13</u>	<u>\$ 7</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, 2018

	<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				
Fines & Forfeitures	\$ 12,500	\$ 14,500	\$ 17,756	\$ 3,256
Investment Income	45	130	328	198
Other Income	-	-	-	-
TOTAL REVENUES	<u>12,545</u>	<u>14,630</u>	<u>18,084</u>	<u>3,454</u>
EXPENDITURES				
Current:				
Public Safety	1,100	1,000	1,509	(509)
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>1,100</u>	<u>1,000</u>	<u>1,509</u>	<u>(509)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,445</u>	<u>13,630</u>	<u>16,575</u>	<u>2,945</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	(12,600)	(12,600)	(12,600)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(12,600)</u>	<u>(12,600)</u>	<u>(12,600)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,155)	1,030	3,975	2,945
FUND BALANCE - October 1	<u>17,285</u>	<u>17,285</u>	<u>17,285</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 16,130</u>	<u>\$ 18,315</u>	<u>\$ 21,260</u>	<u>\$ 2,945</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, 2018

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Charges for Services	\$ 19,200	\$ 19,200	\$ 13,335	\$ (5,865)
Investment income	75	75	183	108
Other income	-	-	-	-
TOTAL REVENUES	<u>19,275</u>	<u>19,275</u>	<u>13,518</u>	<u>(5,757)</u>
EXPENDITURES				
Current:				
Public Works	21,000	21,000	20,442	558
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>21,000</u>	<u>21,000</u>	<u>20,442</u>	<u>558</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,725)</u>	<u>(1,725)</u>	<u>(6,924)</u>	<u>(5,199)</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>(1,725)</u>	<u>(1,725)</u>	<u>(6,924)</u>	<u>(5,199)</u>
FUND BALANCE -OCTOBER 1	<u>19,792</u>	<u>19,792</u>	<u>19,792</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 18,067</u>	<u>\$ 18,067</u>	<u>\$ 12,868</u>	<u>\$ (5,199)</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, 2018

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
License & Permits	\$ 22,000	\$ 22,000	\$ 12,979	\$ (9,021)
Investment Income	200	1,000	1,586	586
Other Income	-	-	-	-
TOTAL REVENUES	<u>22,200</u>	<u>23,000</u>	<u>14,565</u>	<u>(8,435)</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>22,200</u>	<u>23,000</u>	<u>14,565</u>	<u>(8,435)</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>22,200</u>	<u>23,000</u>	<u>14,565</u>	<u>(8,435)</u>
FUND BALANCE - October 1	<u>118,155</u>	<u>118,155</u>	<u>118,155</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 140,355</u>	<u>\$ 141,155</u>	<u>\$ 132,720</u>	<u>\$ (8,435)</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, 2018

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	18	30	37	7
Other income	-	-	-	-
TOTAL REVENUES	<u>18</u>	<u>30</u>	<u>37</u>	<u>7</u>
EXPENDITURES				
Current:				
Public Works	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>18</u>	<u>30</u>	<u>37</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>18</u>	<u>30</u>	<u>37</u>	<u>7</u>
FUND BALANCE -OCTOBER 1	<u>2,995</u>	<u>2,995</u>	<u>2,995</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 3,013</u>	<u>\$ 3,025</u>	<u>\$ 3,032</u>	<u>\$ 7</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, 2018

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	50	306	384	78
Other income	-	473	473	-
TOTAL REVENUES	<u>50</u>	<u>779</u>	<u>857</u>	<u>78</u>
EXPENDITURES				
Current:				
Public Safety	2,700	2,990	3,150	(160)
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>2,700</u>	<u>2,990</u>	<u>3,150</u>	<u>(160)</u>
	-			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,650)</u>	<u>(2,211)</u>	<u>(2,293)</u>	<u>(82)</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>(2,650)</u>	<u>(2,211)</u>	<u>(2,293)</u>	<u>(82)</u>
FUND BALANCE -OCTOBER 1	<u>31,014</u>	<u>31,014</u>	<u>31,014</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 28,364</u>	<u>\$ 28,803</u>	<u>\$ 28,721</u>	<u>\$ (82)</u>

**CITY OF GAINESVILLE, TEXAS
HOSPITAL DEMOLITION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>BUDGET</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Fines & Forfeitures	\$ -	\$ -	\$ -	\$ -
Investment Income	6,700	12,000	22,500	10,500
Other Income	-	-	-	-
TOTAL REVENUES	<u>6,700</u>	<u>12,000</u>	<u>22,500</u>	<u>10,500</u>
EXPENDITURES				
Current:				
General Government	-	200	270	(70)
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>200</u>	<u>270</u>	<u>(70)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,700</u>	<u>11,800</u>	<u>22,230</u>	<u>10,430</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	(500,000)	(500,000)	(500,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(493,300)</u>	<u>(488,200)</u>	<u>(477,770)</u>	<u>10,430</u>
FUND BALANCE - October 1	<u>1,565,111</u>	<u>1,565,111</u>	<u>1,565,111</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 1,071,811</u>	<u>\$ 1,076,911</u>	<u>\$ 1,087,341</u>	<u>\$ 10,430</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, 2018

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	7,600	18,000	23,399	5,399
Other income	15,260	40,000	35,245	(4,755)
TOTAL REVENUES	<u>22,860</u>	<u>58,000</u>	<u>58,644</u>	<u>644</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>22,860</u>	<u>58,000</u>	<u>58,644</u>	<u>644</u>
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	-	-
Funds transferred (out)	(3,500)	(3,750)	(3,750)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,500)</u>	<u>(3,750)</u>	<u>(3,750)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	19,360	54,250	54,894	644
FUND BALANCE -OCTOBER 1	<u>1,511,950</u>	<u>1,511,950</u>	<u>1,511,950</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 1,531,310</u>	<u>\$ 1,566,200</u>	<u>\$ 1,566,844</u>	<u>\$ 644</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, 2018**

	<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	6	150	165	15
Other income	-	-	-	-
TOTAL REVENUES	<u>6</u>	<u>150</u>	<u>165</u>	<u>15</u>
EXPENDITURES				
Current:				
General government	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(494)</u>	<u>(350)</u>	<u>165</u>	<u>515</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>(494)</u>	<u>(350)</u>	<u>165</u>	<u>515</u>
FUND BALANCE -OCTOBER 1	<u>10,804</u>	<u>10,804</u>	<u>10,804</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 10,310</u>	<u>\$ 10,454</u>	<u>\$ 10,969</u>	<u>\$ 515</u>



Federal Awards Section



Compliance Reports



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Council
City of Gainesville
200 South Rusk
Gainesville, Texas 76240

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 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, 2018, and the related notes to the financial statements, which collectively comprise the City of Gainesville, Texas's basic financial statements, and have issued our report thereon dated March 11, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 the City'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 black ink that reads "Schalk & Smith P.C." in a cursive, flowing script.

Schalk & Smith, P.C.
March 11, 2019



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.	115
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.	123
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.	134
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.	138
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.	141

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

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities										
Net Investment in										
capital assets	\$ 2,978,341	\$ 2,633,311	\$ (1,359,842)	\$ (1,209,809)	\$ 4,129,634	\$ 3,551,425	\$ 7,022,501	\$ 4,216,159	\$ 8,390,227	\$ 9,603,733
Committed	1,208,887	1,241,202	1,272,802	1,327,746	1,374,067	1,420,639	1,438,672	0	0	0
Restricted	0	0	0	0	0	0	6,257,929	12,206,817	8,844,766	7,055,924
Unrestricted	4,885,310	6,487,507	13,574,502	18,787,054	15,860,901	20,892,158	9,587,756	9,612,542	11,266,409	13,784,265
Total governmental activities net position	\$ 9,072,538	\$ 10,362,020	\$ 13,487,462	\$ 18,904,991	\$ 21,364,602	\$ 25,864,222	\$ 24,306,858	\$ 26,035,518	\$ 28,501,402	\$ 30,443,922
Business-type activities										
Net Investment in										
capital assets	\$ 3,394,196	\$ 1,955,664	\$ 5,535,078	\$ 6,282,114	\$ 7,684,214	\$ 16,196,466	\$ 17,184,026	\$ 18,033,774	\$ 19,595,322	\$ 23,219,516
Restricted	0	0	0	0	0	0	0	0	0	0
Unrestricted	2,474,873	5,468,599	3,852,677	4,447,825	5,531,782	5,408,349	4,695,184	5,687,456	6,155,259	5,224,201
Total business-type activities net position	\$ 5,869,069	\$ 7,424,263	\$ 9,387,755	\$ 10,729,939	\$ 13,215,996	\$ 21,604,815	\$ 21,879,210	\$ 23,721,230	\$ 25,750,581	\$ 28,443,717
Primary government										
Net Investment in										
capital assets	\$ 4,219,401	\$ 6,372,537	\$ 4,588,975	\$ 5,072,305	\$ 11,813,848	\$ 19,747,891	\$ 24,206,527	\$ 22,249,933	\$ 27,985,549	\$ 32,823,249
Restricted for Permanent Endowment	1,173,937	1,208,887	1,241,202	1,327,746	1,374,067	1,420,639	1,438,672	0	0	0
Restricted	0	0	0	0	0	0	6,257,929	12,206,817	8,844,766	7,055,924
Unrestricted	5,586,406	7,360,183	11,956,106	23,234,879	21,392,683	26,300,507	14,282,940	15,299,998	17,421,668	19,008,466
Total primary government net position	\$ 14,941,607	\$ 17,786,283	\$ 22,875,217	\$ 29,634,930	\$ 34,580,598	\$ 47,469,037	\$ 46,186,068	\$ 49,756,748	\$ 54,251,983	\$ 58,887,639

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

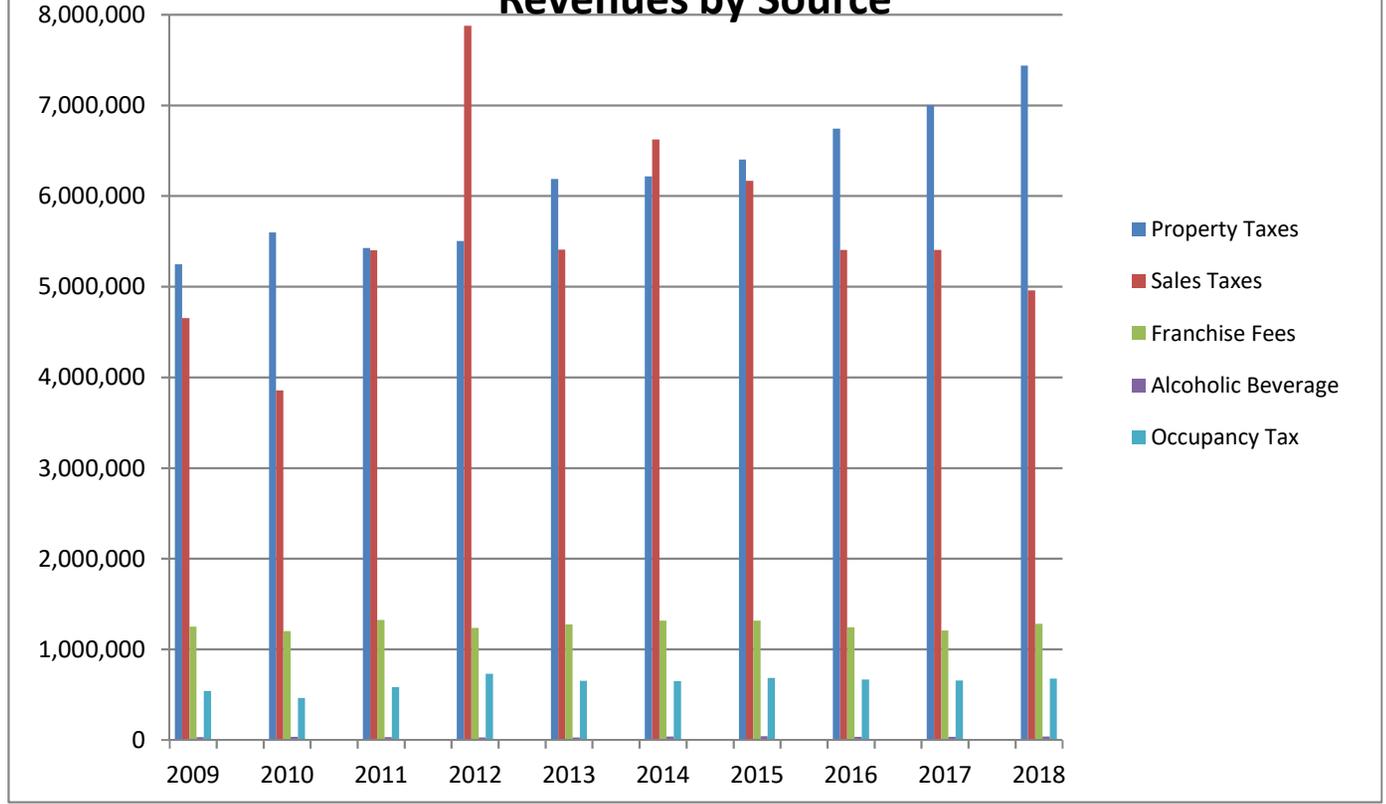
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
General Government	\$1,956,841	\$2,029,423	\$2,043,290	\$2,041,635	\$2,036,650	\$2,301,376	\$2,134,433	\$2,057,544	\$2,007,940	\$2,034,864
Community Development	354,000	410,999	347,571	375,589	488,974	499,803	474,022	460,691	501,330	564,677
Finance	399,885	401,758	400,922	406,189	462,758	404,366	424,733	453,957	457,878	473,764
Public Safety	7,191,305	7,462,751	7,747,905	7,661,491	8,108,422	8,262,814	8,469,599	9,014,024	9,075,713	9,333,202
General/Public Services	3,630,306	3,419,627	3,347,486	3,376,631	3,572,040	3,731,174	3,790,990	4,216,838	4,256,146	4,286,595
Bond Issuance Cost	20,163	0	0	0	0	79,487	0	0	0	60,538
Interest on Long-Term Debt	530,804	450,764	808,937	674,442	703,793	544,840	609,610	672,462	564,734	537,896
Total Governmental Activities Expenditures	14,083,304	14,175,322	14,696,111	14,535,977	15,372,637	15,823,860	15,903,387	16,875,516	16,863,741	17,291,536
Business-Type Activities:										
Water and Sewer	5,525,366	5,539,750	5,890,140	5,707,742	5,532,425	6,450,530	6,084,430	5,928,017	5,940,976	6,072,866
Municipal Airport	1,072,340	1,097,044	1,339,425	1,382,664	1,254,272	1,336,488	1,162,751	1,187,416	1,250,031	1,446,481
Golf Course	582,525	550,564	558,961	424,216	387,220	390,556	380,340	351,975	298,029	320,271
Stormwater	442,089	393,324	194,267	226,363	261,470	373,440	397,236	401,177	595,174	547,183
Solid Waste	2,581,076	2,446,737	2,316,359	2,653,827	2,638,857	2,775,951	2,454,876	2,684,735	2,773,845	2,814,258
Total Business-Type Activities Expenses	10,203,396	10,027,419	10,299,152	10,394,812	10,074,244	11,326,965	10,479,633	10,553,320	10,858,055	11,201,059
Total Primary Government Expenditures	\$24,286,700	\$24,202,741	\$24,995,263	\$24,930,789	\$25,446,881	\$27,150,825	\$26,383,020	\$27,428,836	\$27,721,796	\$28,492,595
Program Revenues										
Governmental Activities:										
Fines, Fees, Charges for Services										
General Government	\$0	\$0	\$0	\$40,808	\$32,159	\$0	\$22,331	\$28,075	\$27,688	\$12,979
Community Development	392,201	372,813	481,946	546,688	560,554	691,640	665,918	272,729	837,926	948,033
Public Safety	467,336	425,670	471,929	361,494	123,184	272,044	375,469	578,735	514,831	649,699
General/Public Services	453,436	453,449	518,943	533,552	605,285	675,361	423,529	1,059,423	663,665	680,291
Operating Grants and Contributions	1,480,927	235,593	268,736	259,748	409,629	260,794	50,600	325,203	91,970	398,314
Total Governmental Activities Program Revenues	2,793,900	1,487,525	1,741,554	1,742,290	1,730,811	1,899,839	1,537,847	2,264,165	2,136,080	2,689,316
Program Revenues (continued)										
Business-Type Activities:										
Fines, Fees, Charges for Services										
Water and Sewer	\$7,262,043	\$7,106,996	\$7,691,710	\$7,803,192	\$7,494,981	\$7,510,490	\$7,541,024	\$8,111,187	\$7,803,109	\$8,527,147
Municipal Airport	878,792	896,501	1,132,279	1,164,363	1,141,161	1,250,890	989,594	1,007,774	995,814	1,206,758
Golf Course	345,795	285,532	270,195	76,110	172,214	193,863	141,525	140,044	176,643	211,126
Stormwater	963,149	960,287	949,795	952,558	1,003,269	1,002,231	1,003,379	990,405	936,628	922,233
Solid Waste	3,490,902	3,395,912	3,591,358	3,798,315	4,383,827	3,690,851	3,812,793	4,069,815	4,093,404	4,616,172

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating Grants and Contributions	185,616	919,693	377,385	276,940	0	472,676	86,996	117,941	34,722	21,448
Total Business-Type Activities Program Revenues	13,126,297	13,564,921	14,012,722	14,071,478	14,195,452	14,121,001	13,575,311	14,437,166	14,040,320	15,504,884
Total Primary Government Program Revenues	\$15,920,197	\$15,052,446	\$15,754,276	\$15,813,768	\$15,926,263	\$16,020,840	\$15,113,158	\$16,701,331	\$16,176,400	\$18,194,200
Net (Expenses)/Revenue										
Governmental Activities	(\$11,289,404)	(\$12,687,797)	(\$12,954,557)	(\$12,793,687)	(\$13,641,826)	(\$13,924,021)	(\$14,365,540)	(\$14,611,351)	(\$14,727,661)	(\$14,602,220)
Business-Type Activities	2,922,901	3,537,502	3,713,570	3,676,666	4,121,208	2,794,036	3,095,678	3,883,846	3,182,265	4,303,825
Total Primary Government	(\$8,366,503)	(\$9,150,295)	(\$9,240,987)	(\$9,117,021)	(\$9,520,618)	(\$11,129,985)	(\$11,269,862)	(\$10,727,505)	(\$11,545,396)	(\$10,298,395)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes	\$5,254,558	\$5,626,157	\$5,424,213	\$5,501,785	\$6,200,651	\$6,216,770	\$6,400,677	\$6,742,089	\$7,003,766	\$7,436,261
Sales Taxes	4,442,416	3,961,931	5,401,018	7,875,346	5,409,389	6,622,880	6,167,640	5,404,024	5,403,311	4,958,203
Other Taxes & Fees	1,822,054	1,697,810	1,935,302	1,993,321	1,954,504	2,002,165	2,040,775	1,940,453	1,896,032	1,992,681
Investment Income	78,460	31,581	32,797	25,372	28,797	11,821	18,749	79,942	179,997	409,811
Miscellaneous	514,287	657,349	1,322,069	476,078	476,078	1,459,148	359,767	966,743	387,875	61,116
Transfers In (Out)	1,979,229	2,002,451	2,108,944	2,339,314	2,339,314	2,110,857	1,865,324	2,511,059	2,322,564	2,141,203
Total Government Activities	14,091,004	13,977,279	16,224,343	18,211,216	16,408,733	18,423,641	16,852,932	17,644,310	17,193,545	16,999,275
Business-Type Activities:										
Investment Income	39,618	11,181	4,462	4,832	6,778	5,795	11,927	52,415	92,919	165,413
Miscellaneous	83,967	8,962	10,000	0	998,514	7,699,845	0	50,217	1,076,731	470,115
Transfers In (Out)	(1,979,229)	(2,002,451)	(2,108,944)	(2,339,314)	(2,339,314)	(2,110,857)	(1,865,324)	(2,511,059)	(2,322,564)	(2,141,203)
Total Business-Type Activities	(1,855,644)	(1,982,308)	(2,094,482)	(2,334,482)	(1,334,022)	5,594,783	(1,853,397)	(2,408,427)	(1,152,914)	(1,505,675)
Total Primary Government	\$12,235,360	\$11,994,971	\$14,129,861	\$15,876,734	\$15,074,711	\$24,018,424	\$14,999,535	\$15,235,883	\$16,040,631	\$15,493,600
Change in Net Position										
Governmental Activities	\$2,801,600	\$1,289,482	\$3,269,786	\$5,417,529	\$2,766,907	\$4,499,620	\$2,487,392	\$3,032,959	\$2,465,884	\$2,397,055
Business-Type Activities	1,067,257	1,555,194	1,619,088	1,342,184	2,787,186	8,388,819	1,242,281	1,475,419	2,029,351	2,798,150
Total Primary Government	\$3,868,857	\$2,844,676	\$4,888,874	\$6,759,713	\$5,554,093	\$12,888,439	\$3,729,673	\$4,508,378	\$4,495,235	\$5,195,205

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
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
2015	6,400,677	6,167,640	1,315,960	42,079	682,736	14,609,092
2016	6,742,089	5,404,024	1,240,790	34,207	665,456	14,086,566
2017	7,003,766	5,403,311	1,206,315	34,565	655,152	14,303,109
2018	\$ 7,436,261	\$ 4,958,203	\$ 1,279,335	\$ 36,271	\$ 677,075	\$ 14,387,145

Governmental Activities Tax and Franchise Fee Revenues by Source



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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$428	\$628	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unreserved	4,224,247	5,051,487	0	0	0	0	0	0	0	0
Nonspendable	0	0	459	0	770	978	547	6,597	7,944	8,532
Assigned:										
Stanford House	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	2,254,213	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Unassigned	0	0	6,679,703	6,880,162	7,216,399	7,407,227	7,583,096	7,397,240	8,892,045	8,916,457
Total General Fund	\$4,224,675	\$5,052,115	\$6,680,162	\$9,134,375	\$7,217,169	\$7,408,205	\$7,583,643	\$7,403,837	\$8,899,989	\$8,924,989
All Other Governmental Funds										
Reserved	\$1,875,114	\$3,895,572	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unreserved, reported in:										
Special Revenue Funds	0	86,580	0	0	0	0	0	0	0	0
Capital Projects Funds	328,115	0	0	0	0	0	0	0	0	0
Nonspendable	0	0	0	0	770	0	0	0	0	0
Restricted:										
Debt Service	0	0	844,347	1,022,513	1,024,748	1,063,979	948,521	1,244,098	1,371,883	1,446,193
Construction	0	0	4,930,607	5,315,306	3,760,040	5,000,089	4,517,997	8,725,955	5,065,270	3,668,003
Tourism and the Arts	0	0	353,043	601,934	768,661	789,424	446,397	613,710	691,782	149,918
Other	0	0	63,139	91,591	106,663	165,888	120,288	155,293	203,881	224,966
Nonspendable										
Cemetery	0	0	1,272,802	1,327,746	1,374,067	1,409,953	1,427,979	1,467,761	1,511,950	1,566,844
Assigned:										
Stanford House	0	0	162,312	211,859	206,429	239,828	0	0	0	0
Construction	0	0	114,862	2,035,103	2,564,024	2,477,635	334,032	3,899,903	4,253,649	7,182,845
Other	0	0	18,189	27,528	48,354	4,137,962	5,678,426	2,887,585	2,539,967	2,746,651
Unassigned	0	0	0	0	0	0	0	0	0	0
Total All Other Governmental Funds	\$2,203,229	\$3,982,152	\$7,759,301	\$10,633,580	\$9,853,756	\$15,284,758	\$13,473,640	\$26,398,142	\$24,538,371	\$25,910,409

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

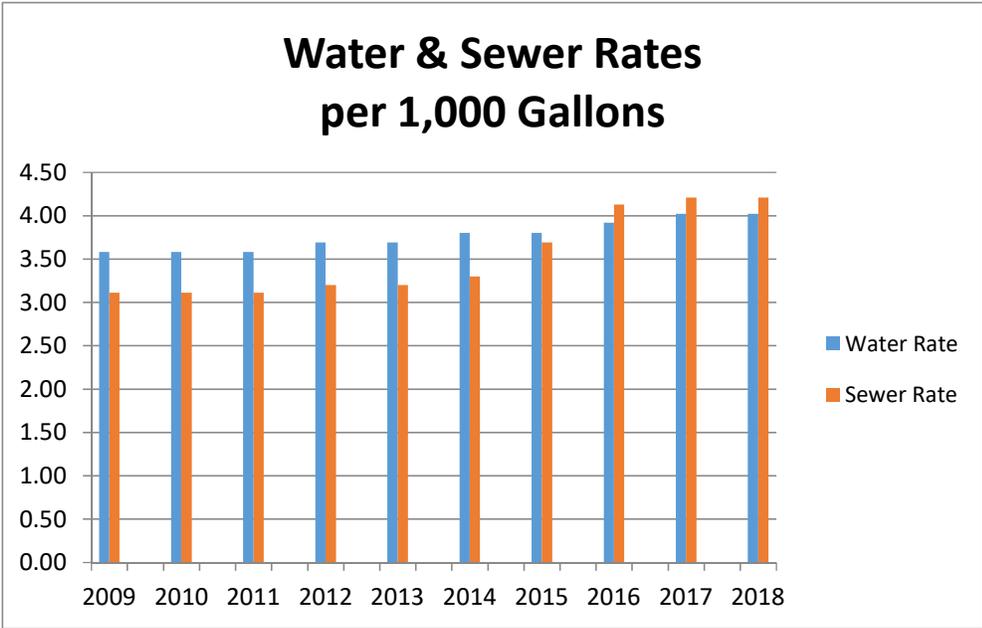
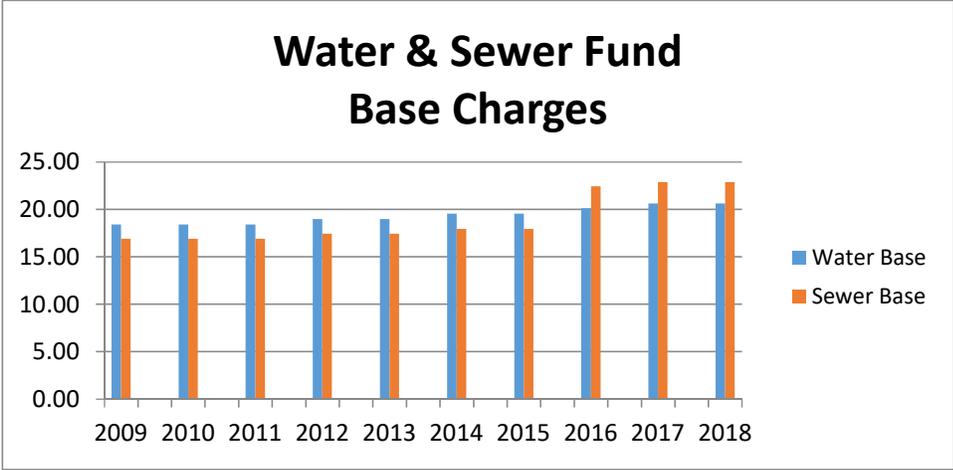
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Ad Valorem Taxes	\$ 5,246,238	\$ 5,598,223	\$ 5,470,155	\$ 5,508,886	\$ 6,200,651	\$ 6,227,465	\$ 6,417,559	\$ 6,694,561	\$ 7,017,525	\$ 7,420,034
Sales Taxes	4,653,940	3,854,804	5,401,018	7,875,346	5,409,389	6,622,880	6,167,640	5,404,024	5,403,311	4,958,203
Other Local Taxes/Fees	1,822,054	1,697,810	1,935,302	1,993,321	1,954,504	2,002,165	2,040,775	1,940,453	1,896,032	1,992,681
Service Charges	672,489	686,216	796,144	835,854	896,422	1,091,780	846,746	1,059,423	1,077,957	1,096,726
License & Permits	173,148	140,046	204,745	285,195	269,957	275,221	265,032	300,804	451,322	544,577
Fines & Forfeitures	489,252	464,628	367,930	371,319	301,256	394,361	382,478	530,929	411,158	517,495
Interest from Investments	78,460	31,582	32,797	25,370	26,220	11,821	18,753	65,078	179,997	409,808
Intergovernmental Revenues	209,656	309,615	268,736	259,748	409,629	260,794	50,600	325,203	91,970	398,314
Other Income	1,711,537	657,348	1,322,070	485,357	1,441,807	1,315,154	389,004	981,607	462,327	434,285
Total Revenues	\$ 15,056,774	\$ 13,440,272	\$ 15,798,897	\$ 17,640,396	\$ 16,909,835	\$ 18,201,641	\$ 16,578,587	\$ 17,302,082	\$ 16,991,599	\$ 17,772,123
Expenditures										
General Government	\$ 1,548,379	\$ 1,596,675	\$ 1,516,231	\$ 1,684,168	\$ 1,691,503	\$ 1,976,208	\$ 1,807,994	\$ 1,838,049	\$ 1,818,903	\$ 1,816,368
Community Development	376,869	366,368	313,163	333,267	439,962	440,433	417,969	442,832	492,433	559,483
Finance	375,468	402,465	399,691	401,010	445,875	418,602	428,260	443,431	455,004	479,609
Public Safety	6,932,074	7,144,821	7,373,057	7,267,715	7,621,916	7,848,716	8,089,744	8,305,934	8,428,432	8,541,870
Public Works	3,098,509	2,945,265	2,872,241	2,868,685	2,981,317	3,105,835	3,133,526	3,440,987	3,407,905	3,418,158
Non-Departmental	20,163	0	202,193	0	0	0	0	0	0	0
Capital Outlay	2,200,960	917,862	4,533,090	3,308,994	6,824,053	3,982,712	3,996,564	2,914,482	4,467,059	5,930,485
Debt Service:										
Principal	1,165,913	978,483	1,039,008	1,189,641	1,375,923	1,371,400	1,429,204	1,355,894	1,379,709	1,523,891
Interest	528,907	463,946	774,173	656,586	741,728	561,934	603,212	531,118	724,489	518,138
Bond Issuance Cost	0	0	0	70,812	0	79,487	0	0	0	43,791
Total Expenditures	\$ 16,247,242	\$ 14,815,885	\$ 19,022,847	\$ 17,780,878	\$ 22,122,277	\$ 19,785,327	\$ 19,906,473	\$ 19,272,727	\$ 21,173,934	\$ 22,831,793
Excess of revenues										
over(under) expenditures	(1,190,468)	(1,375,613)	(3,223,950)	(140,482)	(5,212,442)	(1,583,686)	(3,327,886)	(1,970,645)	(1,970,645)	(5,059,670)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2017
Other financing Sources (Uses):										
Proceeds from Bond Issues	0	1,979,525	0	3,129,660	0	5,095,637	0	7,715,806	0	6,068,745
Payment to Bond Escrow Agent	0	0	0	0	0	0	0	(3,210,454)	0	(1,778,240)
Premium on Debt Issuance	0	0	0	0	0	0	0	519,819	0	0
Funds transferred In	3,480,751	3,338,694	3,816,647	5,543,233	6,493,478	5,846,196	5,105,940	8,959,511	3,611,435	8,375,453
Funds transferred out	(1,501,522)	(1,336,243)	(1,709,703)	(3,203,919)	(3,978,836)	(3,735,339)	(3,240,616)	(6,448,452)	(1,288,871)	(6,234,250)
Total Other Financing Sources(Uses)	1,979,229	3,981,976	2,106,944	5,468,974	2,514,642	7,206,494	1,865,324	7,536,230	2,322,564	6,431,708
Net Change in Fund Balances	\$788,761	\$2,606,363	(\$1,117,006)	\$5,328,492	(\$2,697,800)	\$5,622,808	(\$1,462,562)	\$5,565,585	\$351,919	\$1,372,038
Debt Service as a percentage of										
Noncapital Expenditures	12.07%	10.38%	12.51%	12.76%	13.84%	12.23%	12.77%	11.54%	12.59%	12.08%

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

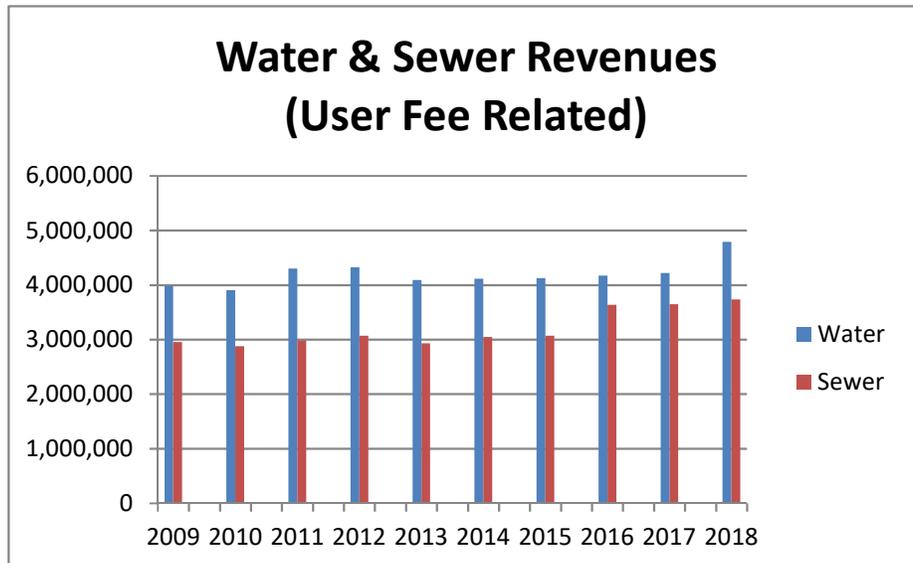
Fiscal Year	Water Base (per month)	Water Rate (per 1000 gals)	Sewer Base (per month)	Sewer Rate (per 1000 gals)
2009	18.41	3.58	16.91	3.11
2010	18.41	3.58	16.91	3.11
2011	18.41	3.58	16.91	3.11
2012	18.96	3.69	17.42	3.20
2013	18.96	3.69	17.42	3.20
2014	19.53	3.80	17.94	3.30
2015	19.53	3.80	17.94	3.69
2016	20.12	3.92	22.43	4.13
2017	20.62	4.02	22.88	4.21
2018	\$20.62	\$4.02	\$22.88	\$4.21

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
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	4,113,495	3,049,053	7,162,548
2015	4,125,146	3,068,783	7,193,929
2016	4,171,501	3,633,470	7,804,971
2017	\$4,217,575	\$3,645,945	\$7,863,520
2018	\$4,789,781	\$3,737,366	\$8,527,147



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

Customer	2018		2009	
	Total Consumption For Customer (in gallons)	Rank	Total Consumption For Customer (in gallons)	Rank
Frank Buck Zoo	9,986,100	1	9,705,400	4
Gainesville State School	8,035,060	2	11,176,000	2
Safran Seats (formerly Zodiac)	7,739,900	3	13,064,160	1
Real Income Partners	5,180,010	4		
North Texas Medical Center	4,448,340	5		
Hunter's Car Wash	3,940,000	6		
North Central Texas College	3,766,210	7	9,951,650	3
The Liberty Crossing	3,665,600	8		
Gainesville Ind. School District	4,099,900	9		
Pecan Tree Manor	3,554,100	10	3,787,000	9
GISD District			6,196,029	5
Renaissance Care Center			4,049,500	7
Woodglen Apartments			3,827,600	8
River Valley Health and Rehab			3,777,900	10
Polypipe Inc			4,173,200	6
Total Water Consumption	54,415,220		69,708,439	

Source: City of Gainesville Customer Service

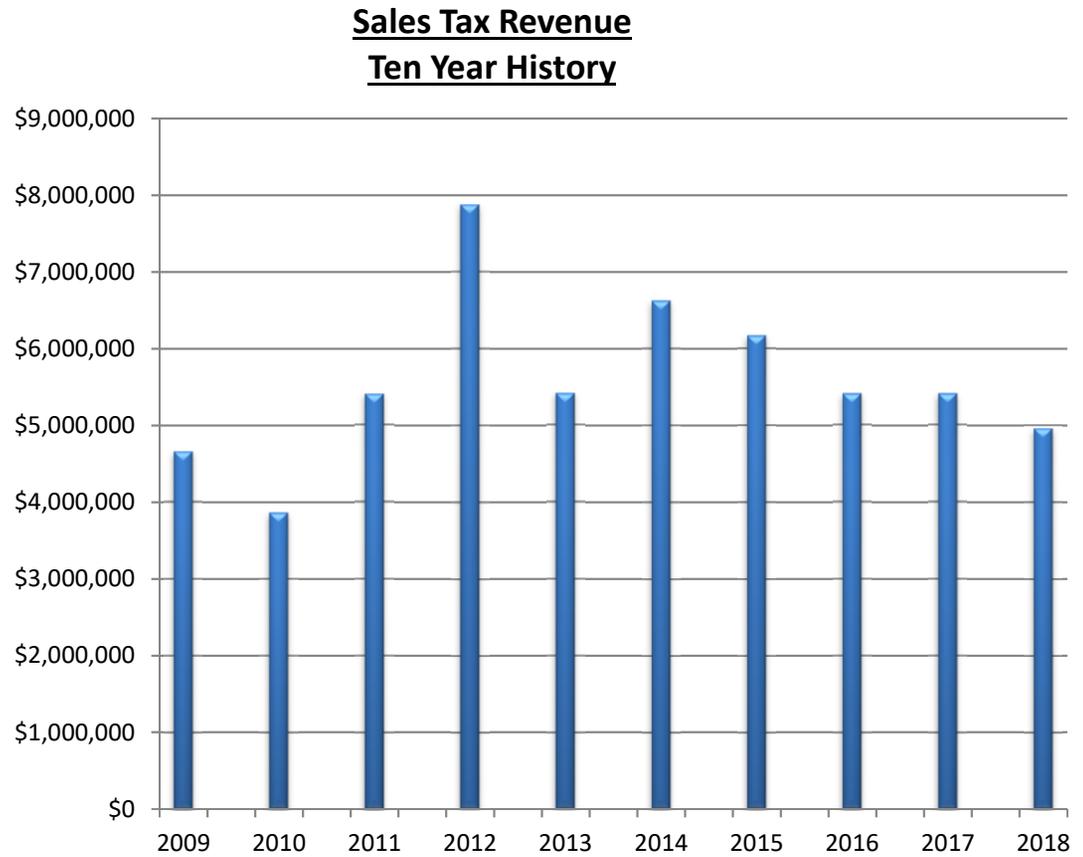
**City of Gainesville, Texas
Direct and Overlapping Sales Tax Rates
Last Ten Years**

Fiscal Year	State of Texas	Cooke County	City of Gainesville	Gainesville Economic Development	Totals
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%
2015	6.25%	0.50%	1.25%	0.25%	8.25%
2016	6.25%	0.50%	1.25%	0.25%	8.25%
2017	6.25%	0.50%	1.25%	0.25%	8.25%
2018	6.25%	0.50%	1.25%	0.25%	8.25%

Source: Texas State Comptroller's Office

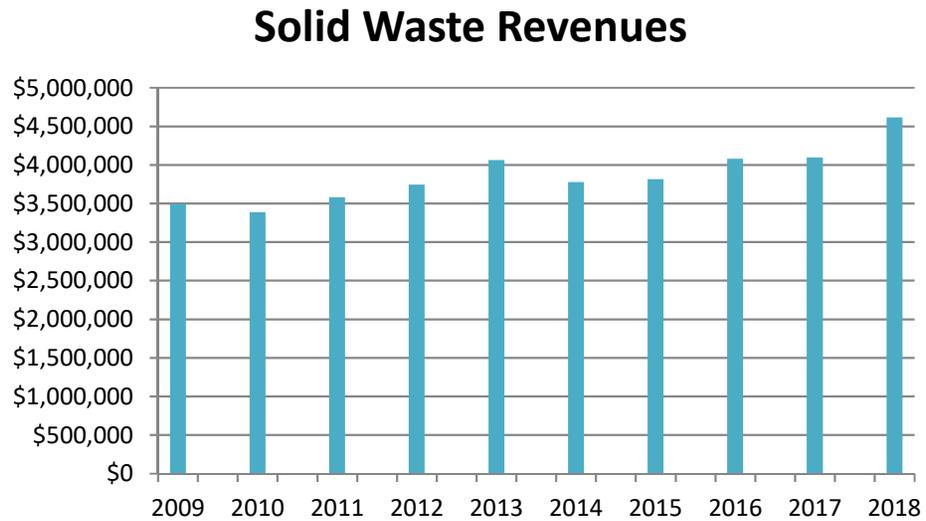
**City of Gainesville, Texas
Sales Tax Revenue
Last Ten Years**

<u>Fiscal Year</u>	<u>Sales Tax Revenue</u>
2009	4,653,940
2010	3,854,804
2011	5,401,018
2012	7,875,346
2013	5,409,389
2014	6,622,880
2015	6,167,640
2016	5,404,024
2017	5,403,311
2018	\$4,958,203



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

Fiscal Year	Charges for Service Revenues
2009	3,490,902
2010	3,386,152
2011	3,579,640
2012	3,743,090
2013	4,061,060
2014	3,776,396
2015	3,812,793
2016	4,078,898
2017	4,093,404
2018	\$4,616,172



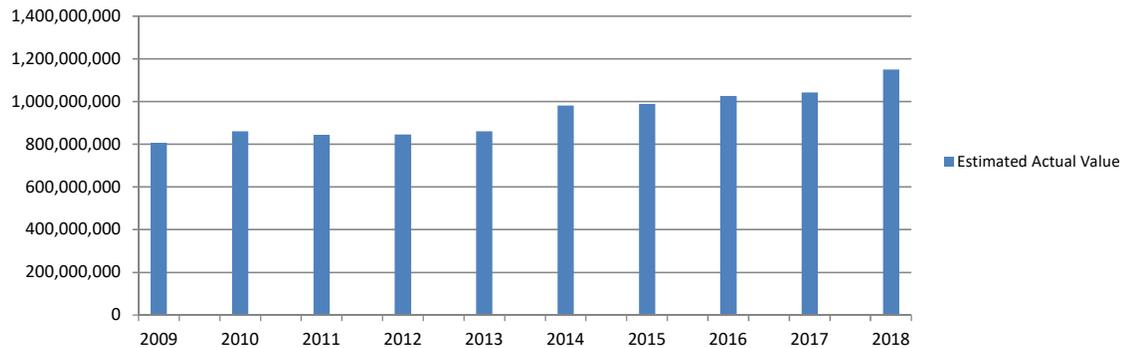
**Assessed and Estimated Actual Value of Property (1)
Last Ten Fiscal Years**

Fiscal Year	Real Property		Personal Property			Total		Total Direct Tax Rate	Ratio of Total Assessed Value To Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Exemptions	Assessed Value	Estimated Actual Value		
2009	687,450,674	687,450,674	239,500,016	239,500,016	118,510,775	808,439,915	808,439,915	0.647000	100.0%
2010	710,898,777	710,898,777	263,735,991	263,735,991	112,937,346	861,697,422	861,697,422	0.647000	100.0%
2011	691,998,166	691,998,166	249,495,937	249,495,937	96,853,793	844,640,310	844,640,310	0.647000	100.0%
2012	668,596,357	668,596,357	273,542,638	273,542,638	96,087,259	846,051,736	846,051,736	0.647000	100.0%
2013	757,402,957	757,402,957	374,357,017	374,357,017	(2) 269,937,257	861,822,717	861,822,717	0.646000	100.0%
2014	806,604,990	806,604,990	485,569,221	485,569,221	309,805,953	982,368,258	982,368,258	0.687822	100.0%
2015	805,382,183	805,382,183	451,099,647	451,099,647	266,968,268	989,513,562	989,513,562	0.697822	100.0%
2016	837,693,898	837,693,898	543,466,902	543,466,902	354,963,587	1,026,197,213	1,026,197,213	0.705030	100.0%
2017	853,116,994	853,116,994	510,737,407	510,737,407	320,130,831	1,043,723,570	1,043,723,570	0.722540	100.0%
2018	\$ 939,547,849	\$ 939,547,849	\$ 575,320,726	\$ 575,320,726	\$ 364,874,399	\$ 1,149,994,176	\$ 1,149,994,176	0.722540	100.0%

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

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

**Property Tax Assessed Value
Ten Year History**



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

Fiscal Year	City of Gainesville			Cooke County			Gainesville School District			Other (2)			Total
	Operating Rate	Debt Service Rate	Total City Rate	Operating Rate	Debt Service Rate	Total County Rate	Operating Rate	Debt Service Rate	Total School Rate	Operating Rate	Debt Service Rate	Total Other Rate	
2009	0.38220	0.26480	0.64700	0.30990	0.03500	0.34490	1.04000	0.23532	1.27532	1.14430	0.12797	1.27227	3.53949
2010	0.42567	0.22133	0.64700	0.31370	0.03120	0.34490	1.04000	0.23532	1.27532	1.14680	0.11260	1.25940	3.52662
2011	0.43236	0.21464	0.64700	0.32460	0.03270	0.35730	1.04000	0.23532	1.27532	1.14980	0.10030	1.25010	3.52972
2012	0.43426	0.21274	0.64700	0.34130	0.02060	0.36190	1.04000	0.29432	1.33432	1.15050	0.09940	1.24990	3.59312
2013	0.45850	0.18850	0.64700	0.32650	0.02040	0.34690	1.04000	0.26780	1.30780	1.13400	0.10740	1.24140	3.54310
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	3.54860
2015	0.44560	0.25223	0.69782	0.34120	0.02740	0.36860	1.04000	0.24000	1.28000	1.15270	0.13820	1.29090	3.63732
2016	0.44560	0.25223	0.69782	0.36520	0.01950	0.38470	1.04000	0.24000	1.28000	1.16660	0.14330	0.00000	2.36252
2017	0.43290	0.27213	0.70503	0.36580	0.01890	0.38470	1.17000	0.11000	1.28000	1.09270	0.12175	0.00000	2.36973
2018	0.46770	0.25480	0.72250	0.47520	0.01860	0.49380	1.17000	0.11000	1.28000	1.17390	0.12610	0.00000	2.49630

(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	2018		2018		2009		2009	
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation		Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	
Well Services Division	\$ 97,309,690	1	41.51%					
Zodiac (formerly Weber Aircraft)	43,728,481	2	18.65%	23,733,327	2	13.64%		
Duraline Polypipe	19,113,678	3	8.15%	14,748,035	5	8.48%		
Building Materials of America	16,409,949	4	7.00%	15,510,943	4	8.92%		
Walmart	12,588,130	5	5.37%	18,471,663	3	10.62%		
Oncor Electric	9,951,770	6	4.25%	8,458,260	7	4.86%		
Spn Well Services (Texces)	9,505,000	7	4.05%					
Trident Process Systems	8,853,000	8	3.78%					
QuickTrip Corporation	8,627,708	9	3.68%					
IFS Coatings	8,345,076	10	3.56%					
Pumpco Energy Services				45,125,310	1	25.94%		
Duraline				15,922,242		9.15%		
B29 Investments P & Etal				9,861,778	6	5.67%		
La Quinta								
PPG Industries				8,287,710	8	4.76%		
Home Depot				7,130,658	9	4.10%		
Klement Karl Properties				6,708,246	10	3.86%		
Total Assessed Valuation	\$ 234,432,482		100.00%	\$ 173,958,172		100.00%		

Source: Cooke County Appraisal District

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected (2)	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes (1)	Delinquent Taxes to Total Tax Levy
2009	5,581,543	5,456,631	97.8%	10,116	5,466,747	97.9%	114,796	2.1%
2010	5,417,241	5,311,988	98.1%	19,545	5,331,533	98.4%	85,708	1.6%
2011	5,457,772	5,361,268	98.2%	19,055	5,380,323	98.6%	77,449	1.4%
2012	6,148,726	6,060,370	98.6%	26,873	6,087,243	99.0%	61,483	1.0%
2013	6,162,316	6,084,320	98.7%	16,430	6,100,750	99.0%	61,566	1.0%
2014	6,472,700	6,354,971	98.2%	46,986	6,401,957	98.9%	70,743	1.1%
2015	6,666,670	6,579,772	98.7%	3,006	6,582,778	98.7%	83,892	1.3%
2016	7,115,523	7,002,997	98.4%	32,130	7,035,127	98.9%	80,396	1.1%
2017	7,406,189	7,326,596	98.9%	-4,984	7,321,612	98.9%	84,577	1.1%
2018	\$ 8,162,217	\$ 6,380,040	78.2%	\$ 54,443	\$ 6,434,483	78.8%	\$ 1,727,734	21.2%

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

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

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percent of Personal Income	Official Per Capita
	General Obligation Bonds	Certificates of Obligation Bonds	Notes Payable	Prem/Disc Capital Leases	General Obligation Bonds	Certificates of Obligation Bonds	Notes Payable	Prem/Disc Capital Leases			
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	460,143	9,469,550	6,701,750	0	551,887	35,877,278	10.95%	2,242
2015	12,765,493	4,499,250	0	342,757	7,189,508	16,815,750	0	1,076,394	42,689,152	13.02%	2,668
2016	16,054,484	2,494,500	0	849,850	6,030,519	18,130,500	0	121,516	43,681,369	13.20%	2,681
2017	14,812,775	2,356,500	0	801,446	4,977,228	17,403,500	0	995,404	41,346,853	12.49%	2,538
2018	\$ 13,523,263	\$ 6,204,610	\$ 0	\$ 900,419	\$ 3,881,737	\$ 20,050,390	\$ 0	\$ 930,528	\$ 45,490,947	13.74%	2,757

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
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
2015	16,002	853,775,206	23,444,748	948,521	22,496,227	2.63%	1,405.84
2016	16,502	921,141,930	22,085,003	1,244,098	20,840,905	2.26%	1,262.93
2017	16,502	940,773,321	39,550,003	1,371,883	\$ 38,178,120	4.06%	\$ 2,313.55
2018	16,502	\$ 1,035,355,680	\$ 43,660,000	\$ 1,439,783	\$ 42,220,217	4.08%	\$ 2,558.49

- (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, 2017**

Jurisdiction	Total GO Debt Outstanding	Estimated Percent Applicable	Direct and Overlapping Funded Debt As of 9/30/18
<i>Direct Debt:</i>			
City of Gainesville	<u>\$19,883,873</u>	100.00%	<u>\$19,883,873</u>
Subtotal Direct Debt	<u>\$19,883,873</u>		<u>\$19,883,873</u>
<i>Overlapping Debt:</i>			
Cooke County	4,255,000	36.03%	1,533,077
Gainesville ISD	28,848,979	81.03%	23,376,328
Lindsey ISD	125,000	69.99%	87,488
Gainesville Hospital District	41,265,000	41.64%	17,182,746
North Central Texas Community College	<u>12,210,000</u>	36.10%	<u>4,407,810</u>
Subtotal Overlapping Debt	<u>86,703,979</u>		<u>46,587,448</u>
Total Direct and Overlapping Debt	<u><u>\$106,587,852</u></u>		<u><u>\$66,471,321</u></u>

Ratio of direct and overlapping bonded debt to taxable assessed valuation 5.78%

Per capita direct and overlapping bonded debt \$4,028.08

General obligation debt in the amounts shown for which repayment is provided from other revenue sources. The amount of self-supporting debt is based on the percentages of revenue support. It is the City's current policy to provide these payments from these revenues; this policy is subject to change in the future. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service. This information is provided in our bond covenants.

Source: First Southwest Company

**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	
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
2015	7,541,024	5,565,217	1,975,807	0	0	0	N/A
2016	8,111,187	5,928,017	2,183,170	0	0	0	N/A
2017	7,863,520	5,389,711	2,473,809	0	0	0	N/A
2018	\$ 8,614,646	\$ 5,565,108	\$ 3,049,538	\$ 0	\$ 0	\$ 0	N/A

(1) Total revenues, excluding grants and 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)
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%
2015	16,002	330,009,246	20,623	33	2,825	81.90%	3.90%
2016	16,002	330,969,366	20,683	33	2,862	79.50%	3.60%
2017	16,502	351,377,086	21,293	32	2,945	79.50%	3.30%
2018	16,502	\$ 358,687,472	\$ 21,736	35	3,169	77.50%	2.70%

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

**City of Gainesville, Texas
Ten Largest Employers
Fiscal Year 2018 and 2009**

Employer	2018			2009		
	Number of Employees FTE	Rank	Percent of Total County Employment	Number of Employees FTE	Rank	Percent of Total County Employment
WinStar Casino	3500	1	30.44%	2000	1	30.00%
Zodiac (formerly Weber Aircraft)	1250	2	10.87%	1300	2	19.50%
North Central Texas College	890	3	7.74%	352	6	5.28%
WalMart	396	5	3.44%	420	5	6.30%
Gainesville ISD	442	4	3.84%	442	4	6.63%
Gainesville State School	359	6	3.12%	323	7	4.84%
NTMC	290	7	2.52%	270	8	
Cooke County	265	8	2.30%			0.00%
City of Gainesville	233	9	2.03%	270	9	4.05%
ORTEQ Energy Technology	160	10	1.39%	600	3	9.00%
Totals	7785		67.71%	5977		85.60%
Total in Gainesville	11497		100.00%	6667		100.00%

Source: Gainesville Economic Development Corporation

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

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administration	3	3	3	3	3	3	3	3	3	3
Information Technology	0	0	0	1	1	1	1	1	1	1
Human Resources	2	2	2	2	2	2	2	2	2	2
Building Operations	0	0	0	0	0	0	0	0	0	0
Municipal Court	5	5	5	5	5	5	5	5	4	4
Civic Center	2	2	2	2	2	2	2	2	2	2
Community Development	5	5	3	5	5	5	5	5	6	6
Finance	4	4	4	4	4	4	4	4	4	4
Economic Development	4	4	5	5	5	5	5	5	5	5
Police	53	53	53	55	55	55	55	56	56	56
Fire	42	42	42	42	42	42	42	42	42	42
Streets	7	8	7	7	7	7	7	7	7	7
Garage	4	4	4	4	4	4	4	4	4	4
Parks	15	15	15	17	17	17	17	17	17	17
Frank Buck Zoo	14	14	14	15	15	15	15	15	16	16
Cemetery	5	5	5	5	5	5	5	5	5	5
Golf Course	8	8	7	7	7	8	8	7	6	6
Water	21	21	20	21	21	21	21	21	20	20
Wastewater	18	18	17	17	17	17	17	17	17	13
Airport	3	3	3	3	3	3	3	3	3	3
Stormwater Utility	2	2	2	2	2	2	2	2	2	2
Solid Waste - Collection	12	12	12	13	13	13	13	13	13	13
Solid Waste - Disposal	3	3	2	2	2	2	2	2	2	2
Total	232	233	227	237	237	238	238	238	237	233

Source: City of Gainesville Human Resources department.
 Added Full time equivalents in Parks Dept

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

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Calls for Service	38,941	44,559	44,203	49,378	45,846	49,651	33,536	34,558	32,024	32,259
Arrests	988	916	1,060	811	1,015	979	1,226	1,337	1,222	1,356
Municipal Court										
Cases Filed	6,438	5,264	6,328	5,061	3,472	4,091	5,000	6,612	5,447	6,293
Cases Disposed	6,433	6,434	5,854	5,035	3,506	4,580	5,000	2,442	5,648	5,493
Class C Warrants Filed	1,719	1,656	2,007	1,466	1,413	1,789	1,000	1,854	1,617	2,252
Juvenile Cases Filed	321	224	225	316	320	175	175	146	117	217
Fire										
Number of calls	667	711	958	793	780	874	954	2,461	2,670	3,111
Number of fires	136	120	195	154	175	174	240	143	169	286
Rescue/EMS incidents	165	173	224	185	175	200	210	1,544	1,829	1,825
Streets										
Potholes Patched	4,146	5,498	6,167	6,509	7,941	5,751	7,529	4,608	2,701	3,374
Storm drains cleaned	564	153	126	135	318	122	137	126	93	122
Miles of streets swept	711	527	613	447	860	1,098	864	690	1,595	868
Golf Course										
Rounds of golf	15,337	11,340	10,739	5,001	7,583	7,853	9,100	7,435	9,216	10,331
Community Development										
Building Permits	775	916	1,069	1,156	1,156	1,156	900	977	1,007	1,060
Value of Building Projects (in thousands)	1,350	3,008	6,170	15,604	15,604	15,604	15,604	20,046	62,013	52,726
Number of Inspections	1,265	1,074	1,590	1,950	1,950	1,950	1,069	1,258	1,332	826
Finance										
Number of invoices paid	6,295	6,467	6,723	6,833	8,019	7,284	6,985	7,372	6,700	7,528
Received CAFR award	Yes									
Received Budget Presentation award	N/A	Yes								
Number of Payroll checks prepared	6,023	6,080	6,154	5,839	5,880	6,214	6,063	6,062	6,176	5,936
Water System										
Number of water customers	6,089	6,079	6,065	6,121	6,166	6,182	6,200	6,074	6,109	6,116
New Connects	1,398	1,420	1,342	1,345	1,412	1,419	1,525	1,344	1,313	1,281
Daily average water consumption (mil gls)	2.2	2.4	2.0	2.4	2.4	2.4	2.1	2.1	2.1	2.1
Maximum daily pumping capacity (mil gls)	4.9	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.7
Maximum storage capacity (mil gls)	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	4.0
Wastewater System										
Number of wastewater customers	5,775	5,918	5,879	5,773	5,822	6,013	5,964	5,775	5,805	5,816
Daily average treatment(mil gls)	1.4	1.5	1.4	1.4	1.4	1.6	2.3	2.2	1.6	1.8
Maximum daily treatment capacity(mil gls)	4.1	4.1	4.1	4.1	4.1	4.1	4.1	10.0	10.0	10.3
Airport										
Gallons of aviation fuel pumped	250,472	230,375	248,265	236,813	216,735	260,944	265,306	311,236	323,952	334,975

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	15	15	16	12	12	12	12	12	12	12
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Fire Hydrants	850	850	968	825	825	825	825	825	825	825
Fire Vehicles	13	13	13	13	13	13	13	12	12	12
Streets										
Miles of streets	132	129.71	129.71	129.71	129.71	129.71	129.71	129.71	129.71	129.71
Miles of streets maintained by City	86	96	96	96	96	96	96	96	96	96
Street Lights	1565	1581	1581	1581	1581	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	212	212	212	212	212	212	212	212	226
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 & Wastewater										
Miles of water mains	137.5	137.5	137.5	137.5	137.5	137.5	137.5	137.5	137.5	151
Number of Water Treatment Plants	1	1	1	1	1	1	1	1	2	1
Wastewater System										
Miles of wastewater mains	132	132	132	134	134	134	134	134	134	132
Miles of storm drainage mains	10	10	10	10	10	10	10	10	10	14
Number of Wastewater Treatment Plants	1	1	1	1	1	1	1	1	1	1
Sanitation										
Collection Trucks	13	9	12	12	12	12	12	13	5	5
Long Haul Trucks	5	4	4	4	4	4	4	4	4	4
Heavy Equipment Units	4	6	5	5	5	5	5	5	6	6
Vehicles	2	4	4	4	4	4	4	5	6	6
Carts (1)	400	5743	5891	5891	5857	5857	5857	5563	5353	5364
Airport										
Airport acreage	1308	1308	1317	1317	1317	1317	1317	1297	1277	1277
Number of runways	2	2	2	2	2	2	2	2	2	2
Number of hangars	6	6	6	6	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 "---".