

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended September 30, 2018



The City of Gonzales
820 St. Joseph Street | Gonzales, Texas 78629
(P) 830.672.2815 | www.gonzales.texas.gov

(This page intentionally left blank.)

***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

of the

City of Gonzales, Texas

**For the Year Ended
September 30, 2018**

Prepared by the Finance Department

(This page intentionally left blank.)

City of Gonzales, Texas

TABLE OF CONTENTS

September 30, 2018

INTRODUCTORY SECTION

Letter of Transmittal	1
List of Principal Officials	6
GFOA Certificate of Achievement for Excellence in Financial Reporting	7
Organizational Chart	9

FINANCIAL SECTION

Independent Auditor's Report	11
Management's Discussion and Analysis	17

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position	30
Statement of Activities	34

Fund Financial Statements

Governmental Funds:

Balance Sheet	36
Reconciliation of the Balance Sheet to the Statement of Net Position	37
Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds	38
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	39

Proprietary Funds:

Statement of Net Position	40
Statement of Revenues, Expenses, and Changes in Fund Net Position	42
Statement of Cash Flows	44

Notes to Financial Statements	49
-------------------------------	----

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual - General Fund	93
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual - JB Wells Fund	94
Schedule of Revenues, Expenditures, and Changes in Fund Balances-	

Budget and Actual – Special Revenue Fund	95
Schedule of Changes in Net Pension Liability and Related Ratios-Texas Municipal Retirement System	96
Schedule of Employer Contributions to Pension Plan- Texas Municipal Retirement System	97
Schedule of Changes in Net Pension Liability and Related Ratios-Texas Emergency Services Retirement System	98
Schedule of Employer Contributions to Pension Plan- Texas Emergency Services Retirement System	99
Schedule of Changes in OPEB and Related Ratios- Texas Municipal Retirement System	100

Other Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual – Debt Service Fund	103
---	-----

Statistical Section

Net Position by Component	106
Changes in Net Position	108
Fund Balances, Government Funds	112
Changes in Fund Balance, Governmental Funds	114
Assessed Value and Estimated Actual Value of Taxable Property	116
Property Tax Rates – Direct and Overlapping Governments	118
Principal Property Taxpayers	121
Property Tax Levies and Collections	122
Sales Tax Rates – Direct and Overlapping Governments	124
Ratios of Outstanding Debt by Type	126
Ratio of General Bonded Debt Outstanding	128
Direct and Overlapping Governmental Activities Debt	131
Legal Debt Margin Information	132
Pledged Revenue Coverage (Utility Funds)	134
Demographic and Economic Statistics	136
Principal Employers	139
Full-Time Equivalent City Employees by Function/Program	140
Operating Indicators by Function/Program	142
Capital Asset Statistics by Function/Program	144

INTRODUCTORY SECTION

(This page intentionally left blank.)

CITY OF GONZALES



820 St. Joseph Street
P.O. Drawer 547
Gonzales, Texas 78629
Phone (830) 672-2815
www.gonzales.texas.gov

April 1, 2019

The Honorable Mayor and City Council
of the City of Gonzales:

The Texas Local Government Code states that a municipality shall have its records and accounts audited annually and shall have annual financial statements prepared based on the audit. The Code also states that the annual financial statements, including the auditor's opinion on the statements, shall be filed in the office of the municipal secretary or clerk within 180 days after the last day of the municipality's fiscal year. The Comprehensive Annual Financial Report (CAFR) of the City of Gonzales, Texas (the City) for the year ended September 30, 2018, is hereby submitted to fulfill that requirement.

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

BrooksWatson & Co., PLLC, has issued an unmodified ("clean") opinion on the City of Gonzales' financial statements for the year ended September 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

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

In God We Trust

PROFILE OF THE CITY OF GONZALES

The City of Gonzales, founded in 1825, is located 62 miles south of Austin, 70 miles east of San Antonio, and 60 miles north of Victoria. According to the U.S. Census Bureau the estimated population of the City of Gonzales is 7,660 as of July 1, 2016, and serves as the county seat of Gonzales County. Gonzales is a Home Rule Charter City and operates under the Council-Manager form of government. The elected body is made up of a Mayor elected at large and four Council members elected by district. Length of office for all Council members and the Mayor are three-year terms. The City Council appoints the City Manager, the City Attorney, and the Municipal Court Judge. All other staff members work either directly or indirectly under the direction of the City Manager.

The Combined Financial Statements of the City of Gonzales include all government activities, organizations, and functions for which the City exercises significant oversight responsibility. The criteria considered in determining governmental activities to be reported within the City's combined financial statements are based upon and consistent with those set forth in GASB Statement No. 61, "The Financial Reporting Entity". Based on this criterion the Gonzales Economic Development Corporation is included in this report.

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

1. Library Board
2. Housing Authority Board
3. Zoning Commission
4. Zoning Board of Adjustments / Sign Control Board
5. Main Street Advisory Board
6. Community Empowerment Board
7. Airport Zoning Board

The City provides services to its citizens that are considered necessary and meaningful and that can be provided by the City at a reasonable cost. Major services provided under general government and enterprise functions are: police and fire protection, electric, water, wastewater and solid waste, park and recreational facilities, library services, street upkeep and maintenance, and general administrative services. Other services include code enforcement, building inspection, animal control, museum, cemetery, airport, and economic development. The City operates a municipal court as established by the City's charter.

LOCAL ECONOMY:

The City of Gonzales, the South Central Texas Region, and the State of Texas have experienced steady economic growth over the last several years with continued expansion expected. In the State of Texas, Gonzales County ranks in the top five counties for both poultry production and volume of

beef cows. Businesses within the City that support agricultural production, including feed mills, feed stores, machinery supply and repair businesses, have continued to benefit from the local economy. Through the downtown revitalization efforts, tourism has become a developing industry for the area. As a result, restaurants, convenience stores, motels, and bed and breakfasts have increased sales. The City's major sources of revenue are sales and ad valorem property taxes and have fluctuated according to prevailing business conditions.

The unemployment rate was 3.0% in September 2018. One area of concern is the lack of a skilled work force. The City as well as the area's economic development groups have combined efforts to make Gonzales a better place to live and work. The Economic Development Corporation is committed to marketing the City's assets and encouraging small business and entrepreneurial activity. With such projects as Victoria College Gonzales Center and J. B. Wells Park the quality of life as well as the economy will enjoy a boost. The community of Gonzales is growing slowly but steadily and management sees this as a long-term trend.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Gonzales operates.

LONG-TERM FINANCIAL PLANNING

The fund balance reserves of the General Fund and Proprietary Funds are below the City's policy. The City continues to take steps to correct this and will continue to monitor the balance month by month. Monitoring is accomplished through continual refinement of long-range fund projections.

A major goal for the year ending September 30, 2018, was to maintain and upgrade municipal facilities in order to continue to provide a reliable service to the public.

MAJOR INITIATIVES

Projects undertaken in this fiscal year include:

- ◆ Purchase and replace equipment needed for efficient operation of Fire and Police department
- ◆ Purchase and replace equipment needed for efficient operation of various departments
- ◆ Wastewater line repairs
- ◆ Water line repairs
- ◆ Drainage improvements and repairs
- ◆ Hydro plant improvements and repairs
- ◆ New electric poles and street lights
- ◆ Police Department building improvements
- ◆ Water plant repairs

Projects planned for the future include:

- ◆ Purchase and replace equipment needed for efficient operation of various departments
- ◆ Paving and seal coating of selected streets
- ◆ Water line improvements and repairs
- ◆ Wastewater line improvements and repairs
- ◆ Electrical line improvements and repairs
- ◆ New electric poles and street lights.
- ◆ Hydro plant improvements and repairs
- ◆ Water plant improvements and repairs

FINANCIAL PROCEDURES AND INTERNAL CONTROLS

The City's accounting records for all governmental funds are maintained on the modified accrual basis of accounting. This method recognizes revenue when it is measurable and available and expenditures when goods or services are received. All proprietary funds are accounted for using the accrual basis of accounting; revenue is recognized when it is earned, and expenses are recognized when they are incurred. Management of the City is responsible for establishing and maintaining an internal control structure. This structure is designed to provide reasonable, but not absolute, assurance that: (1) City assets are protected from loss, theft or misuse; and (2) City financial records and data are accurate and reliable. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from it, and that the evaluation of cost and benefits requires estimates and judgments by management.

BUDGETARY CONTROLS

Each year, on or before September 30th, the City Council adopts an annual operating budget for the ensuing fiscal year. The operating budget includes anticipated revenues and expenditures for the General Fund, Special Revenue Funds, Debt Service Fund, and Proprietary Funds. The budget is a planning device that defines the type, quality, and quantity of City goods and services that will be provided to our citizens. The budget is also a control device that serves as a system of "checks and balances" between levels of City government. The budgetary system is designed to ensure that individual departments contain their expenditures within limitations set by City management, and that City management contains expenditures for the entire City within limitations set by the City Council. After adoption, changes to a departmental budget may be made through the use of line item transfers, initiated by a department head, and approved by the City Manager and Finance Director. Any changes to the budget outside of an individual department can only be made by a City Council ordinance. Any revisions that alter the total expenditures of any fund must be adopted by the City Council.

OTHER INFORMATION

Acknowledgments:

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

Respectfully submitted,



Timothy W. Patek
City Manager



Laura Zella
Director of Finance

City of Gonzales, Texas

LIST OF PRINCIPAL OFFICIALS

September 30, 2018

Title

Name

Elected:

Mayor

Connie L. Kacir

Mayor Pro-Tem District 2

Tommy Schurig

Council Member District 1

Gary A. Schroeder

Council Member District 3

Bobby O'Neal

Council Member District 4

Dan Blakemore

Administrative:

City Manager

Timothy W. Patek

Finance Director

Laura Zella

City Secretary

Kristina Vega

Superintendent of Public Works / Building Official

William Ince

Electric Department Director

Nicolas DeLeon

Street Department Director

Todd Remschel

Water & Wastewater Superintendent

Marland Mercer

Water & Wastewater Plant Operator

Ryan Wilkerson

Police Chief

Tim Crow

Parks & Recreation Director / Arena Operations Manager

Anne Dollery

Fire Chief

Keith Schmidt

Economic Development Director

Genora Young

Main Street Administrator

Barbara Friedrich

City Attorney

Daniel Santee

Municipal Judge

Deidra Voigt



Government Finance Officers Association

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

Presented to

**City of Gonzales
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morill

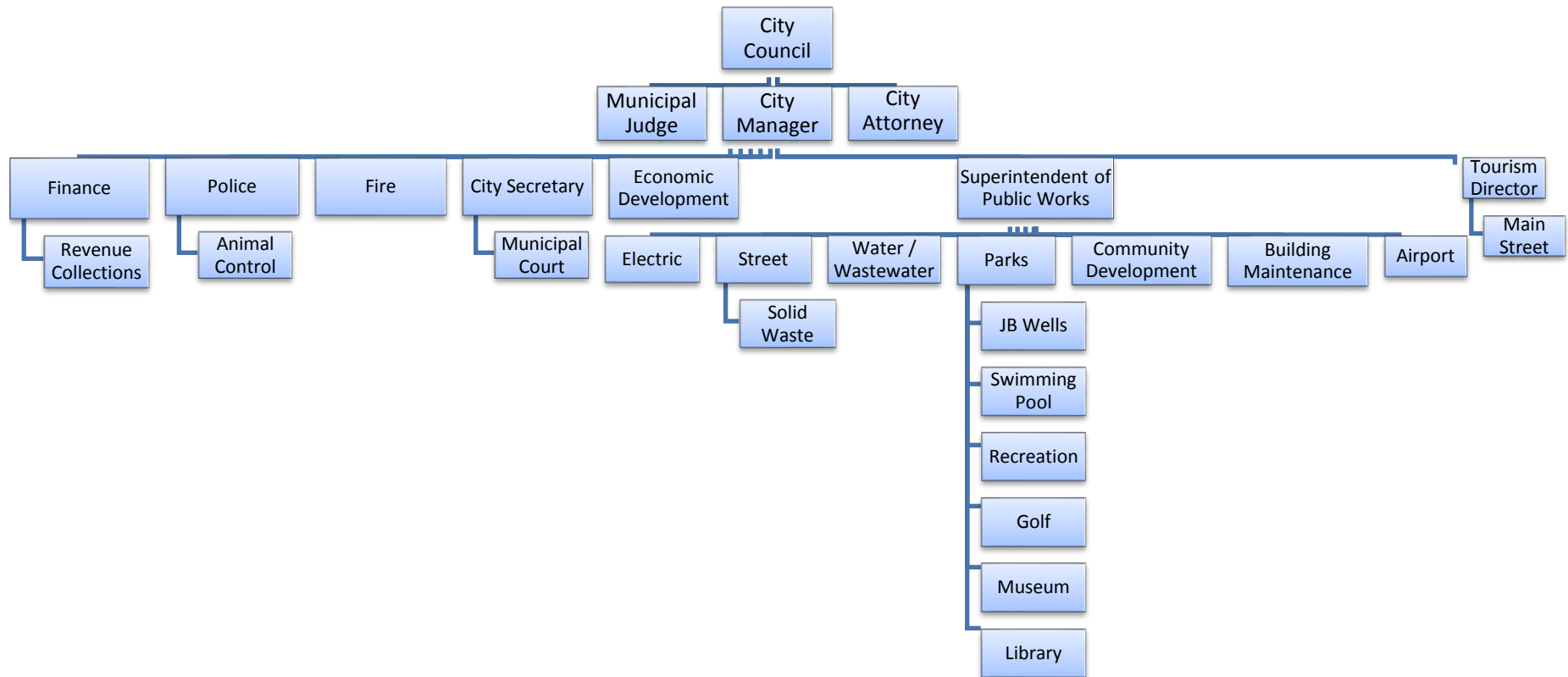
Executive Director/CEO

(This page intentionally left blank)

CITY OF GONZALES

ORGANIZATIONAL

CHART



(This page intentionally left blank)



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Gonzales, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Gonzales, Texas (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of City of Gonzales, 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.

Emphasis of Matter

As disclosed in Note V.F., due to the implementation of GASB No. 75, the City restated its beginning net position within governmental activities and business-type activities to properly reflect the total OPEB liability and related deferred outflows and inflows of resources, as prescribed by this accounting standard. In addition, the City corrected a prior year accounting error related to accumulated depreciation for its discretely presented component unit. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the general fund budgetary comparison information, the schedule of changes in net pension liabilities and related ratios, the schedule of employer contributions to pension plan, and schedule of changes in the other postemployment benefits liability and related ratios, 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 an opinion on the financial statements that collectively comprise City of Gonzales, Texas's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
April 1, 2019

(This page intentionally left blank.)

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

(This page intentionally left blank.)

City of Gonzales, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2018

As management of the City of Gonzales, Texas (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.

Financial Highlights

- The assets of the City exceeded its liabilities (net position) at September 30, 2018 by \$31,843,902.
- The City's total net position increased by \$3,875,504 during the year. The majority of the City's net position is invested in capital assets.
- The City's governmental funds reported combined ending fund balances of \$2,247,411 at September 30, 2018, an increase of \$1,714,728 from the prior fiscal year; this includes an increase of \$1,044,007 in the general fund, an increase of \$214,716 in the debt service fund, a decrease of \$66,650 in the JB Wells fund, and an increase of \$522,655 in the special revenue fund.
- At the end of the fiscal period, unassigned fund balance for the general fund was \$1,010,784 or 14% of total annualized general fund expenditures.
- The total bonds payable at the close of the fiscal year were \$9,230,000.
- Net pension liabilities totaled \$2,781,888 as of year end.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

City of Gonzales, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2018

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety (police & fire); municipal court; and elected officials. The business-type activities of the City include electric, water, wastewater, and solid waste operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Gonzales 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 30 through 33 of this report.

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

City of Gonzales, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2018

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, JB Wells, and special revenue funds. The general fund, special revenue fund, and JB Wells fund are considered to be major funds for reporting purposes.

The City adopts an annual appropriated budget for all government and enterprise funds. A budgetary comparison statement/schedule has been provided for the governmental funds to demonstrate compliance with their budget.

The basic governmental fund financial statements can be found on pages 34 through 37 of this report.

Proprietary Funds

The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its electric, water, wastewater and solid waste operations. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water, wastewater and solid waste funds since they are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 38 through 45 of this report.

Component Unit

The City maintains the accounting and financial statements for one component unit. The Gonzales Economic Development Corporation is reported as a discretely presented component unit on the government-wide financial statements.

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 45 through 82 of this report.

City of Gonzales, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2018

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison for the general fund and special revenue funds. Required supplementary information can be found on page 85 through 91 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Gonzales, assets exceed liabilities by \$31,843,902 as of September 30, 2018, in the primary government.

The largest portion of the City's net position, \$25,624,550, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (3.6%) represents resources that are subject to external restrictions on how they may be used.

City of Gonzales, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2018

Statement of Net Position:

The following table reflects the condensed Statement of Net Position as of September 30, 2018 and 2017:

	2018			2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and						
other assets	\$ 2,874,493	\$ 7,935,466	\$ 10,809,959	\$ 1,594,051	\$ 5,857,684	\$ 7,451,735
Capital assets, net	18,261,827	17,562,069	35,823,896	17,626,479	18,071,302	35,697,781
Internal balances	(51,676)	51,676	-	(569,451)	569,451	-
Total Assets	21,084,644	25,549,211	46,633,855	18,651,079	24,498,437	43,149,516
Deferred outflows of						
resources	300,178	84,652	384,830	905,568	253,679	1,159,247
Other liabilities	459,961	924,830	1,384,791	364,336	907,453	1,271,789
Long-term liabilities	11,010,754	2,384,706	13,395,460	7,148,093	7,910,279	15,058,372
Total Liabilities	11,470,715	3,309,536	14,780,251	7,512,429	8,817,732	16,330,161
Deferred inflows of						
resources	312,183	82,349	394,532	10,204	-	10,204
Net Position:						
Net investment in						
capital assets	9,756,018	15,868,532	25,624,550	13,767,318	12,712,078	26,479,396
Restricted	1,162,218	-	1,162,218	458,387	-	458,387
Unrestricted	(1,316,312)	6,373,446	5,057,134	(2,191,691)	3,222,306	1,030,615
Total Net Position	\$ 9,601,924	\$ 22,241,978	\$ 31,843,902	\$ 12,034,014	\$ 15,934,384	\$ 27,968,398

Current and other assets of governmental activities were \$2,874,493 and \$1,594,051 as of September 30, 2018 and September 30, 2017, respectively. The increase of \$1,280,442 or 80% was due primarily to an increase in cash on hand as a result of the increase in revenues and decrease in expenses compared to the prior year. Current and other assets of business-type activities were \$7,935,466 and \$5,857,684 as of September 30, 2018 and September 30, 2017, respectively. The increase of \$2,077,782 or 35% was due to an increase in cash on hand as a result of the overall increase in net position.

Long-term liabilities of business-type activities were \$2,384,706 and \$7,910,279 as of September 30, 2018 and September 30, 2017, respectively. The decrease of \$5,525,573 or 70% was due to the transfer of bonds to governmental activities in the current year. Long-term liabilities of governmental activities were \$11,010,754 and \$7,148,093, respectively. The increase of \$3,862,661 or 54% was due to the aforementioned transfer of bonds from business-type activities in the current year.

City of Gonzales, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2018

Statement of Activities:

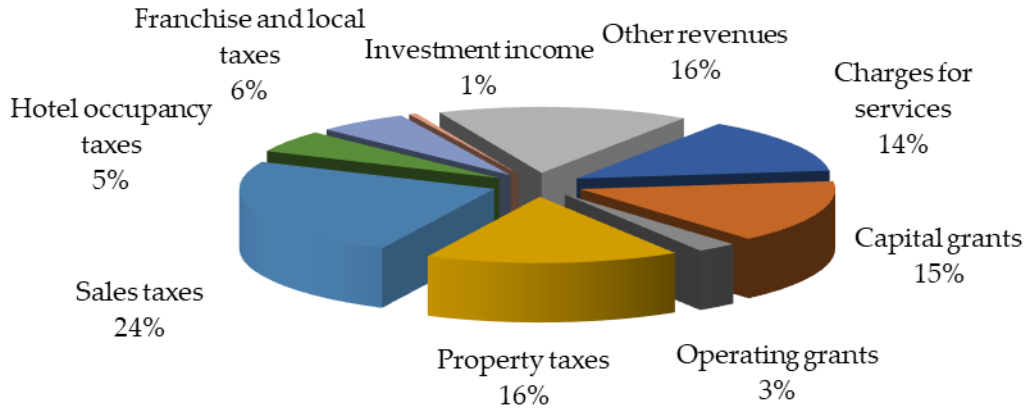
The following table provides a summary of the City's changes in net position for the years ended September 30, 2018 and 2017:

	September 30, 2018			September 30, 2017		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities	Primary Government	Activities	Activities	Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 992,000	\$ 14,969,058	\$ 15,961,058	\$ 1,066,924	\$ 13,431,395	\$ 14,498,319
Operating grants	187,386	-	187,386	295,213	-	295,213
Capital grants	1,124,832	-	1,124,832	146,145	-	146,145
General revenues:						
Property taxes	1,171,717	-	1,171,717	738,354	-	738,354
Sales taxes	1,780,877	-	1,780,877	1,508,489	-	1,508,489
Hotel occupancy taxes	394,578	-	394,578	227,767	-	227,767
Franchise and local taxes	422,333	-	422,333	311,656	-	311,656
Investment income	35,979	52,122	88,101	12,834	18,901	31,735
Other revenues	1,164,297	-	1,164,297	595,021	-	595,021
Total Revenues	7,273,999	15,021,180	22,295,179	4,902,403	13,450,296	18,352,699
Expenses						
General government	2,770,042	-	2,770,042	2,939,798	-	2,939,798
Public safety and courts	3,483,984	-	3,483,984	3,698,351	-	3,698,351
Parks and recreation	1,565,511	-	1,565,511	1,816,090	-	1,816,090
Streets	777,485	-	777,485	631,444	-	631,444
Interest and fiscal charges	283,208	45,511	328,719	128,425	269,148	397,573
Electric	-	6,720,405	6,720,405	-	6,588,098	6,588,098
Water	-	1,024,926	1,024,926	-	1,139,656	1,139,656
Wastewater	-	964,924	964,924	-	899,891	899,891
Solid waste	-	783,679	783,679	-	819,655	819,655
Total Expenses	8,880,230	9,539,445	18,419,675	9,214,108	9,716,448	18,930,556
Change in Net Position						
Before Transfers	(1,606,231)	5,481,735	3,875,504	(4,311,705)	3,733,848	(577,857)
Transfers	(825,859)	825,859	-	3,596,756	(3,596,756)	-
Total	(825,859)	825,859	-	3,596,756	(3,596,756)	-
Change in Net Position	(2,432,090)	6,307,594	3,875,504	(714,949)	137,092	(577,857)
Beginning Net Position	12,034,014	15,934,384	27,968,398	12,748,963	15,797,292	28,546,255
Ending Net Position	\$ 9,601,924	\$ 22,241,978	\$ 31,843,902	\$ 12,034,014	\$ 15,934,384	\$ 27,968,398

City of Gonzales, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2018

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

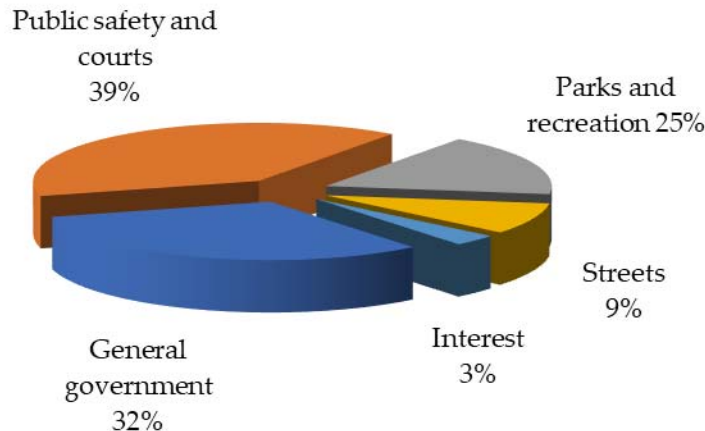
Governmental Activities - Revenues



For the year ended September 30, 2018, revenues from governmental activities totaled \$7,273,999. Sales taxes and property taxes are the City's largest general revenue sources. Grant revenues increased by \$870,860 primarily as a result of nonrecurring capital grants received in the current year. Property taxes increased by \$433,363 primarily as a result of an increase in the property tax rate and the appraised property values over the course of the year. Sales taxes, hotel occupancy taxes, and franchise taxes increased by \$272,388, \$166,811, and \$110,677, respectively. These increases were a direct result of continued economic growth within the City. Investment income increased by \$23,145 due primarily to increased interest-bearing cash accounts. Other revenues increased by \$569,276 or 96% primarily due to proceeds received from the sale of land in the current year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses

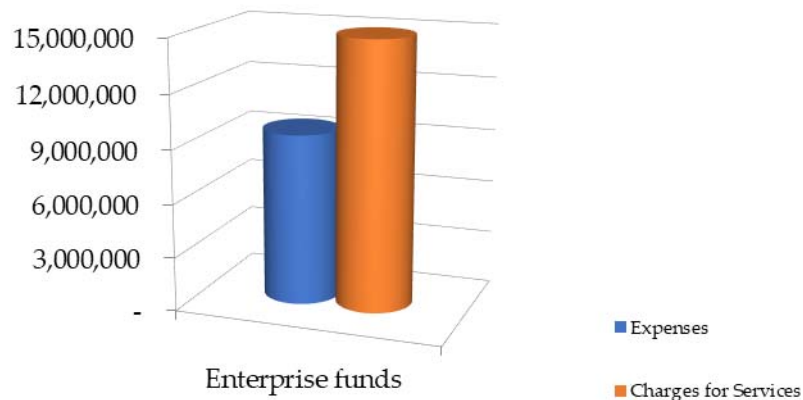


City of Gonzales, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2018

For the year ended September 30, 2018, expenses for governmental activities totaled \$8,880,230. This represents a decrease of \$333,878 or 4% from the year ended September 30, 2017. Parks and recreation expenses decreased by \$250,579 primarily due to decreased personnel and maintenance related expenses. Streets expenditures increased by \$146,041 primarily due to drainage costs. Interest and fiscal charges increased by \$154,783 due primarily to the transfer of tax and revenue bonds from the City's proprietary fund in the current year.

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

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2018, charges for services by business-type activities totaled \$14,969,058. This was an increase of \$1,537,663, or 11% from the year ended September 30, 2017. The increase was primarily due to a 14% increase in the electric fuel charge and increases in sewer consumption during the year.

Total expenses decreased \$177,003 when compared to prior year. Water expenses decreased by \$114,730 or 10%. The decrease primarily results from declining personnel, maintenance, and depreciation expenses. Interest and fiscal charges decreased by \$223,637 or 83% due to the transfer of tax and revenue bonds to governmental activities in the current year. All other expenses remained relatively consistent.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing

City of Gonzales, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2018

the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the period.

As of the end of the year the general fund reflected a fund balance of \$1,321,022. Of this, \$34,662 is assigned for airport improvement and \$40,942 is restricted for PEG fees and \$5,794 is restricted for library activities. Unassigned fund balance in the general fund totaled \$1,057,687. The fund balance for the general fund increased by \$1,044,007 during the year. The increase is primarily due to current year revenues and other financing sources exceeding expenditures. The fund is reliant on transfers from other funds to stay solvent currently.

The debt service fund reflected a fund balance of \$214,716. Fiscal year 2018 was the initial year for this fund. The increase in the fund balance is a result of current year revenues and transfers in exceeding debt service expenditures.

The JB Wells Park fund had a decrease in fund balance of \$66,650. This fund is not yet self-supporting and will need to be supported by transfers from other funds until revenues are increased or expenses are decreased. The decrease during the year was due to expenditures exceeding revenues.

The special revenue fund balance reflected a fund balance of \$900,766, an increase of \$522,655 from the prior year. The increase was primarily due to revenues and net transfers from other funds exceeding current year expenditures.

There was an increase in governmental fund balance of \$1,714,728 from the prior period primarily due to transfers from proprietary funds.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total general fund revenues exceeded budgeted revenues by \$415,578 during the 2018 fiscal year. Total general fund revenues exceeded budgeted revenues, but still experienced a shortfall in fines, forfeitures, parks and franchise tax revenues.

Total expenditures were less than budgeted amounts by \$997,339 for the year.

Total budgeted other financing sources were less than actual other financing sources by \$196,537 during the 2018 fiscal year. The primary reason for the budgetary difference was due to transfers out not being budgeted for.

These variances combined for a net positive overall variance of \$1,216,380 for the year ended September 30, 2018.

City of Gonzales, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2018

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$18,261,827 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$17,562,069 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current period include the following:

- Additional investments in airport project for \$938,660.
- Purchase of new equipment for the parks department totaling \$238,943.
- Purchase of new vehicle for the fire department totaling \$64,429.
- Hydro-electric plant relicensing expenses totaling \$175,670.
- Purchase of new equipment for the solid waste department totaling \$104,997.

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds and capital leases outstanding of \$9,737,993. The combination tax and revenue bonds had a balance of \$9,230,000. The remaining amount was comprised of total capital leases owed for \$507,993. During the year, the City paid \$455,000 on the bond and \$168,265 on the capital leases. During the year, the City decided to pay for the Series 2011 Combination tax and revenue bonds with property taxes rather than water revenues. Since the debt is now being repaid with taxes rather than water revenue, a transfer of \$5,229,656 (including a debt premium of \$164,656) was recorded to present the debt within governmental activities.

More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Gonzales and improving services provided to their public citizens. The City is budgeting for growth in the upcoming year.

City of Gonzales, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2018

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Gonzales' finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Finance Director, 820 Saint Joseph Street, Gonzales, Texas 78629.

(This page intentionally left blank.)

FINANCIAL STATEMENTS

City of Gonzales, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 1,996,448	\$ 3,313,396	\$ 5,309,844
Investments	270,529	531,655	802,184
Current portion of notes receivable, net	-	-	-
Receivables, net	560,113	2,405,099	2,965,212
Inventories	-	189,455	189,455
Internal balances	(51,676)	51,676	-
Other assets	47,403	10,576	57,979
Restricted cash and cash equivalents	-	1,485,285	1,485,285
Total Current Assets	2,822,817	7,987,142	10,809,959
Notes receivable, net	-	-	-
Capital assets - non-depreciable	2,377,389	766,673	3,144,062
Capital assets - net depreciable	15,884,438	16,795,396	32,679,834
Total Noncurrent Assets	18,261,827	17,562,069	35,823,896
Total Assets	21,084,644	25,549,211	46,633,855
<u>Deferred Outflows of Resources</u>			
Pension contributions	283,826	80,054	363,880
OPEB contributions	2,124	599	2,723
OPEB gains (losses)	13,359	3,768	17,127
Pension (gains) losses	869	231	1,100
Total Deferred Outflows of Resources	300,178	84,652	384,830

GEDC	
Component	Unit
<hr/>	
\$	2,292,107
	55,944
	144,624
	146,777
	-
	-
	-
	-
	<hr/>
	2,639,452
	<hr/>
	1,131,743
	-
	202,688
	<hr/>
	1,334,431
	<hr/>
	3,973,883
	<hr/>
	-
	-
	-
	-
	<hr/>
	-
	<hr/>

City of Gonzales, Texas

STATEMENT OF NET POSITION (Page 2 of 2) September 30, 2018

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and			
accrued liabilities	397,724	739,348	1,137,072
Customer deposits	31,646	183,850	215,496
Accrued interest payable	30,591	1,632	32,223
Long-term liabilities - due within one year	666,523	113,143	779,666
Total Current Liabilities	1,126,484	1,037,973	2,164,457
Noncurrent liabilities:			
Net pension liability	2,179,158	602,730	2,781,888
OPEB liability	222,381	62,724	285,105
Long-term liabilities - due in more than a year	7,942,692	1,606,109	9,548,801
Total Noncurrent Liabilities	10,344,231	2,271,563	12,615,794
Total Liabilities	11,470,715	3,309,536	14,780,251
<u>Deferred Inflows of Resources</u>			
Pension proportion changes	17,886	-	17,886
Pension investment earnings	294,297	82,349	376,646
Total Deferred Inflows of Resources	312,183	82,349	394,532
<u>Net Position</u>			
Net investment in capital assets	9,756,018	15,868,532	25,624,550
Restricted for:			
Tourism	591,485	-	591,485
Debt service	214,716	-	214,716
Economic development	-	-	-
Other purposes	356,017	-	356,017
Unrestricted	(1,316,312)	6,373,446	5,057,134
Total Net Position	\$ 9,601,924	\$ 22,241,978	\$ 31,843,902

See Notes to Financial Statements.

GEDC
Component
Unit

12,436
2,500
-
-
14,936

-
-
-
-
14,936

-
-
-

202,688
-
-
3,756,259
-
-
\$ 3,958,947

City of Gonzales, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,770,042	\$ 88,583	\$ 187,386	\$ -
Public safety and courts	3,483,984	136,134	-	-
Parks and recreation	1,565,511	767,283	-	1,124,832
Streets	777,485	-	-	-
Interest and fiscal charges	283,208	-	-	-
Total Governmental Activities	<u>8,880,230</u>	<u>992,000</u>	<u>187,386</u>	<u>1,124,832</u>
Business-Type Activities				
Electric	6,765,916	10,789,959	-	-
Water	1,024,926	2,011,020	-	-
Wastewater	964,924	1,278,964	-	-
Solid Waste	783,679	889,115	-	-
Total Business-Type Activities	<u>9,539,445</u>	<u>14,969,058</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 18,419,675</u>	<u>\$ 15,961,058</u>	<u>\$ 187,386</u>	<u>\$ 1,124,832</u>
Component Unit				
Gonzales EDC	<u>\$ 521,663</u>	<u>\$ 8,338</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes

Property taxes

Sales taxes

Hotel occupancy taxes

Franchise and local taxes

Investment income

Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			GEDC
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (2,494,073)	\$ -	\$ (2,494,073)	\$ -
(3,347,850)	-	(3,347,850)	-
326,604	-	326,604	-
(777,485)	-	(777,485)	-
(283,208)	-	(283,208)	-
(6,576,012)	-	(6,576,012)	-
-	4,024,043	4,024,043	-
-	986,094	986,094	-
-	314,040	314,040	-
-	105,436	105,436	-
-	5,429,613	5,429,613	-
(6,576,012)	5,429,613	(1,146,399)	-
			\$ (513,325)
1,171,717	-	1,171,717	-
1,780,877	-	1,780,877	890,304
394,578	-	394,578	-
422,333	-	422,333	-
35,979	52,122	88,101	73,981
1,164,297	-	1,164,297	634
(825,859)	825,859	-	-
4,143,922	877,981	5,021,903	964,919
(2,432,090)	6,307,594	3,875,504	451,594
12,034,014	15,934,384	27,968,398	3,507,353
\$ 9,601,924	\$ 22,241,978	\$ 31,843,902	\$ 3,958,947

City of Gonzales, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2018

	General	Debt Service Fund	Special Revenue Fund	JB Wells	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,044,230	\$ 31,436	\$ 920,782	\$ -	\$ 1,996,448
Investments	270,529	-	-	-	270,529
Receivables, net	499,306	22,793	38,014	-	560,113
Advances to other funds	181,937	-	-	-	181,937
Due from other funds	52,470	186,909	3,790	-	243,169
Prepaid assets	46,903	-	-	-	46,903
Other Assets	500	-	-	-	500
Total Assets	\$ 2,095,875	\$ 241,138	\$ 962,586	\$ -	\$ 3,299,599
Liabilities					
Accounts payable and accrued liabilities	\$ 326,905	\$ 3,629	\$ 60,034	\$ 7,156	\$ 397,724
Customer deposits	31,646	-	-	-	31,646
Advances from other funds	-	-	-	181,937	181,937
Due to other funds	293,059	-	1,786	-	294,845
Total Liabilities	651,610	3,629	61,820	189,093	906,152
Deferred Inflows of Resources					
Unavailable revenue - property taxes	123,243	22,793	-	-	146,036
Fund Balances					
Assigned for:					
Airport improvement	34,662	-	-	-	34,662
Nonspendable:					
Prepays	46,903	-	-	-	46,903
Restricted for:					
Advances	181,937	-	-	-	181,937
Debt service	-	214,716	-	-	214,716
PEG	40,942	-	-	-	40,942
Public safety	-	-	46,093	-	46,093
Municipal court	-	-	71,168	-	71,168
Museum	-	-	20,371	-	20,371
Tourism	-	-	591,485	-	591,485
Library	5,794	-	171,649	-	177,443
Unassigned reported in:					
General fund	1,010,784	-	-	-	1,010,784
Special revenue fund	-	-	-	(189,093)	(189,093)
Total Fund Balances	1,321,022	214,716	900,766	(189,093)	2,247,411
Total Liabilities and Fund Balances	\$ 2,095,875	\$ 241,138	\$ 962,586	\$ -	\$ 3,299,599

See Notes to Financial Statements.

City of Gonzales, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2018

Fund Balances - Total Governmental Funds	\$ 2,247,411
---	---------------------

Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable	2,377,389
----------------------------------	-----------

Capital assets - net depreciable	15,884,438
----------------------------------	------------

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	146,036
---	---------

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/expenditure) until then.

Pension contributions	283,826
-----------------------	---------

Pension investment earnings	(294,297)
-----------------------------	-----------

Pension gains (losses)	711
------------------------	-----

Pension proportion changes	(17,886)
----------------------------	----------

Pension assumption changes	158
----------------------------	-----

OPEB contributions	2,124
--------------------	-------

OPEB gains (losses)	13,359
---------------------	--------

Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

Accrued interest	(30,591)
------------------	----------

Non-current liabilities due in one year	(666,523)
---	-----------

Non-current liabilities due in more than one year	(7,942,692)
---	-------------

Net pension liability	(2,179,158)
-----------------------	-------------

OPEB liability	(222,381)
----------------	-----------

Net Position of Governmental Activities	\$ 9,601,924
--	---------------------

See Notes to Financial Statements.

City of Gonzales, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2018

	General	Debt Service Fund	Special Revenue Fund	JB Wells	Total Governmental Funds
<u>Revenues</u>					
Property tax	\$ 495,885	\$ 665,904	\$ -	\$ -	\$ 1,161,789
Sales tax	1,780,877	-	-	-	1,780,877
Hotel occupancy taxes	-	-	394,578	-	394,578
Franchise and local taxes	422,333	-	-	-	422,333
License and permits	88,583	-	-	-	88,583
Intergovernmental	56,951	114,800	-	-	171,751
Parks	158,787	-	-	608,496	767,283
Grants and contributions	-	-	15,635	-	15,635
Fines and forfeitures	115,274	-	20,860	-	136,134
Investment income	18,127	835	17,017	-	35,979
Other revenue	620,745	-	112,624	-	733,369
Total Revenues	3,757,562	781,539	560,714	608,496	5,708,311
<u>Expenditures</u>					
Current:					
General government	1,877,624	10,598	-	-	1,888,222
Public safety	3,176,842	-	31,350	-	3,208,192
Municipal court	169,736	-	7,063	-	176,799
Parks and recreation	699,277	-	-	642,315	1,341,592
Street	661,850	-	-	-	661,850
Library	228,765	-	-	-	228,765
Airport	70,999	-	-	-	70,999
Museum	71,041	-	-	-	71,041
Tourism	-	-	268,595	-	268,595
Debt service:					
Principal	168,265	390,000	-	-	558,265
Interest	18,644	281,025	-	-	299,669
Capital outlay	-	-	37,394	33,641	71,035
Total Expenditures	7,143,043	681,623	344,402	675,956	8,845,024
Excess of Revenues Over (Under) Expenditures	(3,385,481)	99,916	216,312	(67,460)	(3,136,713)
<u>Other Financing Sources (Uses)</u>					
Sale of capital assets	422,748	-	-	-	422,748
Insurance recoveries	7,370	-	-	810	8,180
Transfers in	4,420,513	114,800	421,143	-	4,956,456
Transfers (out)	(421,143)	-	(114,800)	-	(535,943)
Other Financing Sources	4,429,488	114,800	306,343	810	4,851,441
Net Change in Fund Balances	1,044,007	214,716	522,655	(66,650)	1,714,728
Beginning fund balances	277,015	-	378,111	(122,443)	532,683
Ending Fund Balances	\$ 1,321,022	\$ 214,716	\$ 900,766	\$ (189,093)	\$ 2,247,411

See Notes to Financial Statements.

City of Gonzales, 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

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

Net changes in fund balances - total governmental funds	\$	1,714,728
---	----	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	609,084
Capital asset contributions	1,124,832
Depreciation expense	(1,098,568)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest	(5,348)
Pension expense	(104,958)
OPEB expense	(15,446)
Compensated absences	(44)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) 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. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Transfer of long-term debt from proprietary funds	(5,229,656)
Transfer of accrued interest from proprietary funds	(16,716)
Principal payments	558,265
Amortization of premium	21,809

Change in Net Position of Governmental Activities	\$	(2,432,090)
--	-----------	--------------------

See Notes to Financial Statements.

City of Gonzales, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2018

	Electric	Water	Wastewater
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 2,118,775	\$ 315,499	\$ 879,122
Investments	266,401	-	265,254
Receivables, net	1,767,400	300,128	190,753
Due from other funds	102,361	-	-
Inventories	118,782	60,646	10,027
Prepays	10,576	-	-
Restricted cash and cash equivalents	1,458,508	26,077	700
Total Current Assets	5,842,803	702,350	1,345,856
<u>Noncurrent Assets</u>			
Capital assets:			
Non-depreciable	424,846	17,084	38,556
Net depreciable capital assets	808,171	3,024,260	12,868,468
Total Noncurrent Assets	1,233,017	3,041,344	12,907,024
Total Assets	7,075,820	3,743,694	14,252,880
<u>Deferred Outflows of Resources</u>			
Pension contributions	31,444	23,634	21,146
OPEB contributions	235	177	158
OPEB (gains) losses	1,480	1,113	995
Pension (gains) losses	91	68	61
Total Deferred Outflows of Resources	33,250	24,992	22,360
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable and accrued liabilities	567,168	35,615	64,951
Customer deposits	169,796	13,754	300
Due to other funds	-	-	-
Accrued interest	-	-	-
Long-term liabilities - due in one year	95,196	5,703	10,901
Total Current Liabilities	832,160	55,072	76,152
<u>Noncurrent Liabilities</u>			
Net pension liability	236,744	177,944	159,209
OPEB liability	24,633	18,532	16,565
Due in more than one year	1,604,116	633	1,211
Total Liabilities	2,697,653	252,181	253,137
<u>Deferred Inflows of Resources</u>			
Pension investment earnings	32,346	24,312	21,752
Total Deferred Inflows of Resources	32,346	24,312	21,752
<u>Net Position</u>			
Net investment in capital assets	(460,521)	3,041,345	12,907,024
Unrestricted	4,839,592	450,848	1,093,327
Total Net Position	\$ 4,379,071	\$ 3,492,193	\$ 14,000,351

See Notes to Financial Statements.

Solid Waste	Total
\$ -	\$ 3,313,396
-	531,655
146,818	2,405,099
-	102,361
-	189,455
-	10,576
-	1,485,285
<u>146,818</u>	<u>8,037,827</u>
286,187	766,673
<u>94,497</u>	<u>16,795,396</u>
<u>380,684</u>	<u>17,562,069</u>
<u>527,502</u>	<u>25,599,896</u>
3,830	80,054
29	599
180	3,768
<u>11</u>	<u>231</u>
<u>4,050</u>	<u>84,652</u>
71,614	739,348
-	183,850
50,685	50,685
1,632	1,632
<u>1,344</u>	<u>113,143</u>
<u>125,275</u>	<u>1,088,658</u>
28,833	602,730
2,994	62,724
<u>148</u>	<u>1,606,109</u>
<u>157,250</u>	<u>3,360,221</u>
3,939	82,349
<u>3,939</u>	<u>82,349</u>
380,684	15,868,532
<u>(10,321)</u>	<u>6,373,446</u>
<u>\$ 370,363</u>	<u>\$ 22,241,978</u>

City of Gonzales, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2018

	Electric	Water	Wastewater
<u>Operating Revenues</u>			
Charges for services	\$ 10,788,459	\$ 1,996,992	\$ 1,263,964
Other services	-	14,028	15,000
Other revenue	1,500	-	-
Total Operating Revenues	10,789,959	2,011,020	1,278,964
<u>Operating Expenses</u>			
Cost of sales	6,562,196	710,249	584,939
Depreciation	158,037	314,677	379,649
Other	172	-	336
Total Operating Expenses	6,720,405	1,024,926	964,924
Operating Income (Loss)	4,069,554	986,094	314,040
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	30,019	2,304	19,799
Interest expense	(45,511)	-	-
Total Nonoperating Revenues (Expenses)	(15,492)	2,304	19,799
Income (Loss) Before Transfers	4,054,062	988,398	333,839
Transfers in	78,597	5,246,372	-
Transfers (out)	(3,143,737)	(1,050,010)	(271,843)
	(3,065,140)	4,196,362	(271,843)
Change in Net Position	988,922	5,184,760	61,996
Beginning net position	3,390,149	(1,692,567)	13,938,355
Ending Net Position	\$ 4,379,071	\$ 3,492,193	\$ 14,000,351

See Notes to Financial Statements.

Solid Waste	Total
\$ 864,464	\$ 14,913,879
24,651	53,679
-	1,500
<u>889,115</u>	<u>14,969,058</u>
773,124	8,630,508
10,500	862,863
55	563
<u>783,679</u>	<u>9,493,934</u>
<u>105,436</u>	<u>5,475,124</u>
-	52,122
-	(45,511)
<u>-</u>	<u>6,611</u>
105,436	5,481,735
-	5,324,969
(33,520)	(4,499,110)
<u>(33,520)</u>	<u>825,859</u>
71,916	6,307,594
<u>298,447</u>	<u>15,934,384</u>
<u>\$ 370,363</u>	<u>\$ 22,241,978</u>

City of Gonzales, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2018

	Electric	Water	Wastewater
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 10,701,497	\$ 2,033,855	\$ 1,284,472
Payments to employees	(605,914)	(314,031)	(282,989)
Payments to suppliers	(5,967,100)	(373,408)	(269,195)
Net Cash Provided (Used) by Operating Activities	4,128,483	1,346,416	732,288
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfer in	78,597	-	-
(Lending) repayments from other funds	970,062	755,506	291,801
Borrowing (repayments) to other funds	(44,787)	(717,802)	(783,904)
Transfers (out)	(3,143,737)	(1,050,010)	(271,843)
Net Cash Provided (Used) by Noncapital Financing Activities	(2,139,865)	(1,012,306)	(763,946)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Capital purchases	(230,369)	(12,065)	(6,199)
Principal paid on debt	(65,000)	-	-
Interest paid on debt	(54,329)	(182)	-
Net Cash (Used) by Capital and Related Financing Activities	(349,698)	(12,247)	(6,199)
<u>Cash Flows from Investing Activities</u>			
Purchase of investments	(4,819)	-	-
Interest on investments	30,019	2,304	16,911
Net Cash Provided by Investing Activities	25,200	2,304	16,911
Net Increase (Decrease) in Cash and Cash Equivalents	1,664,120	324,167	(20,946)
Beginning cash and cash equivalents	1,913,163	17,409	900,768
Ending Cash and Cash Equivalents	\$ 3,577,283	\$ 341,576	\$ 879,822

See Notes to Financial Statements.

Solid Waste	Total
\$ 858,933	\$ 14,878,757
(83,584)	(1,286,518)
(688,284)	(7,297,987)
87,065	6,294,252
-	78,597
-	2,017,369
46,899	(1,499,594)
(33,520)	(4,499,110)
13,379	(3,902,738)
(104,997)	(353,630)
-	(65,000)
-	(54,511)
(104,997)	(473,141)
-	(4,819)
-	49,234
-	44,415
(4,553)	1,962,788
4,553	2,835,893
\$ -	\$ 4,798,681

City of Gonzales, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2018

	Electric	Water	Wastewater
<u>Reconciliation of Operating Income (Loss)</u>			
<u>to Net Cash Provided by Operating Activities</u>			
Operating Income (Loss)	\$ 4,069,554	\$ 986,094	\$ 314,040
Adjustments to reconcile operating income to net cash provided:			
Depreciation	158,037	314,677	379,649
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(106,266)	16,867	5,208
Inventory	1,655	5,098	-
Prepaid expenses	333	-	-
Deferred pension resources	98,737	74,214	66,401
Increase (Decrease) in:			
Accounts payable and accrued liabilities	11,072	10,741	18,700
Accrued interest	(29,768)	-	-
Customer deposits	17,804	5,968	300
Compensated absences	(7,086)	(2,914)	5,548
Net pension liability	(88,803)	(66,747)	(59,720)
OPEB liability	3,214	2,418	2,162
Net Cash Provided by Operating Activities	\$ 4,128,483	\$ 1,346,416	\$ 732,288
 <u>Schedule of Non-Cash Capital and Related</u>			
Transfer of long-term debt to governmental activities	\$ -	\$ 5,246,372	\$ -

See Notes to Financial Statements.

Solid Waste	Total
\$ 105,436	\$ 5,475,124
10,500	862,863
(30,182)	(114,373)
-	6,753
-	333
12,024	251,376
(723)	39,790
-	(29,768)
-	24,072
435	(4,017)
(10,816)	(226,086)
391	8,185
<u>\$ 87,065</u>	<u>\$ 6,294,252</u>

\$ - \$ 5,246,372

(This page intentionally left blank.)

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Gonzales, Texas (the "City") was incorporated in August 1825 and operates under a Council-Manager form of government. The City provides: police; fire; code enforcement; public works; street repair and maintenance; general administrative services; electricity; water; wastewater; and solid waste. Additional services include parks, museum, library, cemetery, airport, swimming pool, and animal control.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Gonzales Economic Development Corporation ("GEDC"), although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Gonzales Economic Development Corporation

The Gonzales Economic Development Corporation ("GEDC") was incorporated by the City on March 17, 1997, under the Development Corporation Act of 1979, as amended, Article 5190.6 Vernon's Annotated Civil Statutes, Section 4B, as amended (the Act). The GEDC serves all citizens of the City and is governed by a seven member board of directors appointed by

City of Gonzales, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

the Gonzales City Council. An Executive Director is appointed by the GEDC seven member board to carry out the Board's administrative and policy initiatives. The purpose of the GEDC is to promote economic development within the City and the State of Texas in order to enhance the employment and the public welfare for, and on behalf of, the City in a manner and purpose authorized by Section 4B of the Act.

The GEDC is considered a component unit of the City based on the determination that it is financially accountable to the City. This determination was based on the ability of the City to impose its will on the GEDC through the appointment of members of the board of directors and its authority over the budget and management of the GEDC.

The GEDC uses the same fiscal year as the City. Copies of the GEDC's financial statements may be obtained from the City's Director of Finance. The GEDC's financial statements are presented discretely as a part of the financial statements of the City. Although the City is financially accountable for the GEDC, none of the criteria for blending the activities with the City apply. Therefore, the GEDC is discretely presented.

B. Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As discussed earlier, the government has one discretely presented component unit and is shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and

City of Gonzales, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, municipal court, parks and recreation, street, library, airport, museum, and capital outlay.

Debt Service Fund

The City accounts for the accumulation of resources for the payments of principal, interest and related costs on general long-term debt paid from taxes levied by the City. The debt service fund is considered to be a major fund for reporting purposes.

Special Revenue Fund

The special revenue fund is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes such as hotel/motel tax, restricted fines and forfeitures, museum & library donations, forfeitures, and grant expenditures. The special revenue fund is considered to be a major fund for reporting purposes.

JB Wells Fund

The JB Wells fund is used to account for proceeds generated by the services and sales provided by the JB Wells Park. The JB Wells fund is considered to be a major fund for reporting purposes.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards. The proprietary fund types used by the City include enterprise funds.

The government reports the following major enterprise funds:

Electric Fund

This fund is used to account for the provision of electric services to the residents of the City. Activities of the fund include administration, operations and maintenance of the

City of Gonzales, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

electrical system and billing and collection activities for all utility functions. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

Water Fund

This fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

Wastewater Fund

This fund is used to account for the provision of sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water collection and treatment systems. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

Solid Waste Fund

This fund is used to account for the provision of garbage and brush removal services to the residents of the City. Activities of the fund include administration, operations and maintenance and contract garbage services. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement Focus and Basis of Accounting

The government-wide statements of net position and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and component units are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The City utilizes the modified accrual basis of accounting in the governmental fund type and component units. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

The accrual basis of accounting is used for the proprietary fund types. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

The statements of net position, statements of activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method

City of Gonzales, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

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. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Fair Value

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables"

City of Gonzales, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

(i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. All taxing entities in Gonzales County allow taxpayers to pay one-half of their taxes on or before November 30 and the other half on or before June 30, without incurring any late fees. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories held by the City are used primarily as supplies for repairs and maintenance. This inventory is carried at historical cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art, historical treasures and similar assets, and capital assets that a government

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

receives in a service concession arrangement are recorded at the acquisition value on the acquisition date. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	2 to 15 years
Furniture and equipment	3 to 15 years
Infrastructure	30 years
Water and sewer system	30 to 40 years
Buildings and improvements	20 to 50 years

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position 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 that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumption

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

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

City of Gonzales, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (Council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The general fund balance should be at least 15% of the general fund annual expenditures. This percentage is the equivalent of 55 days expenditures. As of September 30, 2018, the general fund balance was less than 18% of the general fund annual expenditures. Debt service fund reserves are maintained at a level to support interest and principal payments in the event of a delay in property tax collections. The City should set aside resources to fund a reserve for years of decline and/or to fund capital out of current funds for projects that would have otherwise been funded by debt financing.

The utility fund working capital should be maintained at a minimum of 20-25% of the total operating expenditures or the equivalent of 75 days.

11. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

12. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

City of Gonzales, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

13. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

14. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) & Texas Emergency Services Retirement System (TESRS) and additions to/deductions from TMRS and TESRS Fiduciary Net Positions have been determined on the same basis as they are reported by TMRS & 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.

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

15. Other Postemployment Benefits (“OPEB”)

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn’t meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary, calculated based on the employee’s actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund and special revenue fund. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the function level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year.

A. Expenditures in Excess of Appropriations

For the year ended, expenditures exceeded appropriations at the legal level of control as follows:

General Fund:		
Transfers (out)	\$	421,143
Special Revenue Fund:		
Public safety	\$	23,350
Municipal court	\$	7,063
Capital outlay	\$	37,394
Debt Service Fund:		
General government	\$	10,598

B. Deficit Fund Equity

The JB Wells fund had a deficit fund balance of \$189,093 as of September 30, 2018 due to cumulative park expenditures exceeding cumulative revenues and transfers in received.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2018, the primary government had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposit	\$ 802,184	1.21
External investment pools	1,458,504	0.02
Total value	<u>\$ 2,260,688</u>	
Portfolio weighted average maturity		0.44

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

As of September 30, 2018, the component unit had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity (Years)
Certificates of deposit	\$ 55,944	0.01
Total carrying value	\$ 55,944	
Portfolio weighted average maturity		0.01

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk. The City's investment policy limits investments in money market mutual funds rated as to investment quality not less than AAA by Standard & Poor's. As of September 30, 2018, the City's investments consisted solely of bank certificates of deposit.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2018, a portion of the City's certificate of deposit balances exceeded the market values of pledged securities and FDIC by \$20,529. As of September 30, 2018, the component unit deposit balances exceeded the market values of pledged securities and FDIC by \$101,122.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

B. Receivables

The following comprise receivable balances of the primary government at year end:

	<u>General</u>	<u>Special Revenue</u>	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>
Property taxes	\$ 123,243	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	293,554	-	-	-	-	-
Franchise taxes	77,255	-	-	-	-	-
Hotel taxes	-	38,014	-	-	-	-
Accounts	-	-	1,773,874	334,696	180,355	146,818
Other	300,791	-	-	-	10,398	-
Allowance	(295,537)	-	(6,474)	(34,568)	-	-
Total	<u>\$ 499,306</u>	<u>\$ 38,014</u>	<u>\$ 1,767,400</u>	<u>\$ 300,128</u>	<u>\$ 190,753</u>	<u>\$ 146,818</u>

	<u>Debt Service</u>	<u>Total</u>
Property taxes	<u>\$ 22,793</u>	<u>\$ 2,965,212</u>

The following comprise receivable balances of the component unit at year end:

	<u>Component Unit</u>
Sales tax	\$ 146,777
Notes receivable	1,276,367
	<u>\$ 1,423,144</u>

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

A summary of the notes receivable held by the Component Unit is as follows:

	<u>9/30/2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Forgiven</u>	<u>9/30/2018</u>	<u>Current</u>
Sleep Inn	\$ 41,124	\$ -	\$ (2,700)	\$ -	\$ 38,424	\$ -
Holiday Inn	208,917	-	(5,876)	-	203,041	-
Tropical Fusion	265,808	-	(6,081)	-	259,727	6,144
Winbin Ventures	95,115	-	(22,092)	-	73,023	14,882
Hotel Alcade	358,667	-	(47,874)	-	310,793	45,450
Come & Take It	338,062	-	(30,777)	-	307,285	31,536
Come & Take It-forgivable	49,456	-	(3,684)	-	45,772	3,684
Baker Boys BBQ	78,635	-	(9,505)	-	69,130	9,721
Storey Jewelers	101,307	-	(11,092)	-	90,215	11,401
Come & Take It Bar & Grill	175,618	-	(21,661)	-	153,957	21,806
Total	1,712,709	-	(161,342)	-	1,551,367	\$ 144,624
Allowance	(275,000)	-	-	-	(275,000)	
Net	<u>\$ 1,437,709</u>	<u>\$ -</u>	<u>\$ (161,342)</u>	<u>\$ -</u>	<u>\$ 1,276,367</u>	

On July 2008, the Corporation issued a \$200,000 note receivable to Sleep Inn & Suites. Payments of \$1,774 are due each month and bear an interest rate of 2%.

On January 29th, 2013, the Corporation issued a note receivable of \$200,000 to Holiday Inn. In March of 2015, the Corporation issued another \$160,000 to Holiday Inn. The total amount issued under this note was \$360,000. Payments of \$3,353 are due monthly. The note is due on demand and bears an interest rate of 2% and a default interest rate of prime plus 4%.

On August 17th, 2012, the Corporation issued a note receivable of \$300,000 to Tropical Fusions, Inc. Payments of \$1,000 are due monthly for the first 120 installments and \$2,246 thereafter. The note is due on demand and bears an interest rate of 2.25% and a default interest rate of prime plus 4%.

On May 1, 2013, the Corporation issued a note receivable to Winbin Ventures, LLC for the construction of a Microtel Inn and Suites hotel. Payments of \$1,397 are due each month and bear an interest rate of 2.25%. The term of note is five years with a final balloon payment of \$79,062.

On January 1, 2014, the Corporation issued a \$455,670 note receivable to Hotel Alcade, Inc. Payments of \$4,296 are due each month and bear an interest rate of 2.5%. The term of the note is ten years.

On February 5, 2014, the Corporation issued a \$450,000 note receivable to Come And Take It Properties, LLC. Payments of \$3,172 are due each month and bear an interest rate of 2.25%. The term of the note is twelve years. A portion of the note up to \$50,000 is forgivable upon performance of certain measures within the note agreement. If not forgiven, this balance will bear interest at an interest rate of 4%.

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

On December 6, 2016, the Corporation issued a \$25,000 note receivable to Come & Take It Properties, LLC. Payments of \$449 are due each month and bear an interest rate of 3.00%. The term of the note is 5 years.

On June 3, 2014, the Corporation issued a \$400,000 note receivable to JMOS Realty Company, LLC. Payments of \$7,099 are due each month and bear an interest rate of 2.5%. The term of the note is five years. The final year of payments is forgivable upon performance of certain measures within the note agreement. During the year, \$104,633 of payments were forgiven.

On March 2, 2015, the Corporation issued a \$100,000 note receivable to Baker Boys BBQ. Payments of \$931 are due each month and bear an interest rate of 2.25%. The term of the note is 10 years.

On December 4, 2015, the Corporation issued a \$120,000 note receivable to Storey Jewelers. Payments of \$1,145 are due each month and bear an interest rate of 2.75%. The term of the note is 10 years.

On February 29, 2016, the Corporation issued a \$160,000 note receivable to Come & Take It Bar & Grill. Payments of \$1,527 are due each month and bear an interest rate of 2.75%. The term of the note is 10 years.

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,377,389	\$ -	\$ -	\$ 2,377,389
Construction in progress	274,698	1,091,739	(1,366,437)	-
Total capital assets not being depreciated	<u>2,652,087</u>	<u>1,091,739</u>	<u>(1,366,437)</u>	<u>2,377,389</u>
Capital assets, being depreciated:				
Infrastructure	10,475,253	197,640	1,366,437	12,039,330
Buildings and improvements	9,361,191	68,200	-	9,429,391
Equipment	5,782,587	376,337	(29,500)	6,129,424
Total capital assets being depreciated	<u>25,619,031</u>	<u>642,177</u>	<u>1,336,937</u>	<u>27,598,145</u>
Less accumulated depreciation				
Infrastructure	(3,910,118)	(421,720)	-	(4,331,838)
Buildings and improvements	(2,887,865)	(262,578)	-	(3,150,443)
Equipment	(3,846,656)	(414,270)	29,500	(4,231,426)
Total accumulated depreciation	<u>(10,644,639)</u>	<u>(1,098,568)</u>	<u>29,500</u>	<u>(11,713,707)</u>
Net capital assets being depreciated	<u>14,974,392</u>	<u>(456,391)</u>	<u>1,366,437</u>	<u>15,884,438</u>
Total Capital Assets	<u><u>\$ 17,626,479</u></u>	<u><u>\$ 635,348</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,261,827</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 41,163
Public safety	228,405
Streets	305,334
Parks and recreation	413,653
Library	52,138
Airport	50,170
Museum	7,705
Total Governmental Activities Depreciation Expense	<u><u>\$ 1,098,568</u></u>

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

A summary of changes in business-type activities capital assets for the year end was as follows:

Business-Type Activities:	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 591,004	\$ 175,669	\$ -	\$ 766,673
Total capital assets not being depreciated	591,004	175,669	-	766,673
Capital assets, being depreciated:				
Distribution systems	35,548,307	72,965	-	35,621,272
Equipment	2,811,451	104,996	-	2,916,447
Furniture and fixtures	281,676	-	-	281,676
Buildings	294,453	-	-	294,453
Total capital assets being depreciated	38,935,887	177,961	-	39,113,848
Less accumulated depreciation				
Distribution systems	(18,527,948)	(752,012)	-	(19,279,960)
Equipment	(2,364,967)	(106,029)	-	(2,470,996)
Furniture and fixtures	(275,849)	(2,119)	-	(277,968)
Buildings	(286,825)	(2,703)	-	(289,528)
Total accumulated depreciation	(21,455,589)	(862,863)	-	(22,318,452)
Net capital assets being depreciated	17,480,298	(684,902)	-	16,795,396
Total Capital Assets	\$ 18,071,302	\$ (509,233)	\$ -	\$ 17,562,069

Depreciation was charged to business-type activities as follows:

Electric	\$ 158,037
Water	314,677
Wastewater	379,649
Solid waste	10,500
Total Business-Type Activities Depreciation Expense	\$ 862,863

City of Gonzales, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

A summary of changes in component unit activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets, being depreciated:				
Buildings - Lynn Theater	246,000	-	-	246,000
Buildings - GEDC Building	85,703	-	(85,703)	-
Flags and Flagpole Project	44,950	-	-	44,950
Total capital assets being depreciated	376,653	-	(85,703)	290,950
Less accumulated depreciation				
Buildings - Lynn Theater	(70,930)	(9,840)	-	(80,770)
Buildings - GEDC Building	(51,703)	-	51,703	-
Flags and Flagpole Project	(4,495)	(2,997)	-	(7,492)
Total accumulated depreciation	(127,128)	(12,837)	51,703	(88,262)
Net capital assets being depreciated	249,525	(12,837)	(34,000)	202,688
Total Capital Assets	\$ 249,525	\$ (12,837)	\$ (34,000)	\$ 202,688

Buildings are being depreciated by the straight-line method over the estimated useful life of 25 years. The flagpole project is being depreciated by the straight-line method over the estimated useful life of 15 years. The GEDC building was sold during the year for \$33,338. A minimal loss from sale was recognized within the statement of activities. Current year depreciation expense was \$12,837.

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

D. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2018. In general, the City uses the general fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:						
Bonds, notes and other payables:						
Tax and revenue bonds	\$ 2,985,000	\$ -	\$ 5,065,000	\$ (390,000)	\$ 7,660,000	\$ 400,000
Issuance premium	194,969	-	164,656	(21,809)	337,816	-
Capital leases	676,258	-	-	(168,265)	507,993	173,458
Compensated absences	103,362	103,406	-	(103,362)	103,406	93,065
Total Governmental Activities	<u>\$ 3,959,589</u>	<u>\$ 103,406</u>	<u>\$ 5,229,656</u>	<u>\$ (683,436)</u>	<u>\$ 8,609,215</u>	<u>\$ 666,523</u>
Long-term liabilities due in more than one year					<u>\$ 7,942,692</u>	
Business-Type Activities:						
Tax and revenue bonds	\$ 6,700,000	\$ -	\$ (5,065,000)	\$ (65,000)	\$ 1,570,000	\$ 90,000
Premium	297,012	-	(164,656)	(8,817)	123,539	-
Compensated absences	29,912	25,713	-	(29,912)	25,713	23,142
Total Business-Type Activities	<u>\$ 7,026,924</u>	<u>\$ 25,713</u>	<u>\$ (5,229,656)</u>	<u>\$ (103,729)</u>	<u>\$ 1,719,252</u>	<u>\$ 113,142</u>
Long-term liabilities due in more than one year					<u>\$ 1,606,110</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The general fund normally liquidates compensated absences for all governmental funds. The electric, water, wastewater, and solid waste each liquidate their own portion of compensated absences.

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Original Balance	Current Balance
Governmental Activities:			
Combination tax and revenue bonds			
Series 2011	2-4%	\$ 6,255,000	\$ 4,800,000
Series 2015	2-4%	3,175,000	2,860,000
Total		<u>9,430,000</u>	<u>7,660,000</u>
Capital leases			
Wheel loader	3.5%	148,010	39,462
Motor grader	3.5%	199,510	53,193
Pumper/Tanker	2.7%	700,000	415,338
Total		<u>1,047,520</u>	<u>507,993</u>
Business-type Activities:			
Combination tax and revenue bonds			
Series 2017	3-4%	\$ 1,635,000	\$ 1,570,000
Total		<u>1,635,000</u>	<u>1,570,000</u>
Total Long-Term Debt		<u><u>\$ 12,112,520</u></u>	<u><u>\$ 9,737,993</u></u>

During the year, the City decided to pay for the Series 2011 Combination tax and revenue bonds with property taxes rather than water revenues. Since the debt is now being repaid with taxes rather than water revenue, a transfer was recorded to present the debt within governmental activities.

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

The annual requirements to amortize debt issues outstanding at year ending were as follows:

Combination tax and revenue bonds

Year Ending September 30	Governmental Activities			Business-type Activities		
	Combination Tax and Revenue Bonds			Combination Tax and Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 400,000	\$ 270,425	\$ 670,425	\$ 90,000	\$ 56,750	\$ 146,750
2020	415,000	258,825	673,825	85,000	54,125	139,125
2021	425,000	246,225	671,225	95,000	51,425	146,425
2022	440,000	233,250	673,250	100,000	48,500	148,500
2023	455,000	219,644	674,644	100,000	45,500	145,500
2024	470,000	204,600	674,600	105,000	41,900	146,900
2025	480,000	188,350	668,350	110,000	37,600	147,600
2026	495,000	171,669	666,669	115,000	33,100	148,100
2027	520,000	152,800	672,800	115,000	28,500	143,500
2028	540,000	131,600	671,600	120,000	23,800	143,800
2029	555,000	109,700	664,700	125,000	18,900	143,900
2030	585,000	86,900	671,900	130,000	13,800	143,800
2031	605,000	63,100	668,100	135,000	8,500	143,500
2032	630,000	38,400	668,400	145,000	5,800	150,800
2033	205,000	21,700	226,700	-	-	-
2034	215,000	13,300	228,300	-	-	-
2035	225,000	4,500	229,500	-	-	-
Total	\$ 7,660,000	\$ 2,414,988	\$ 10,074,988	\$ 1,570,000	\$ 468,200	\$ 2,038,200

Capital leases

Year Ending September 30	Governmental Activities		
	Capital Leases		
	Principal	Interest	Total
2019	\$ 173,458	\$ 13,451	\$ 186,909
2020	121,251	8,763	130,014
2021	105,200	5,846	111,046
2022	108,084	2,963	111,047
Total	\$ 507,993	\$ 31,023	\$ 539,016

The carrying value of the equipment being paid for with the above payments was \$198,583 as of September 30, 2018.

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

Tax and revenue bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of tax and revenue bonds are from taxes levied on all taxable property located within the City and revenues earned from the enterprise funds. The bonds were issued to fund improvements to the City's water treatment plant, water well, and standpipe. The City is not obligated in any manner for special assessment debt.

E. Interfund Transactions

Transfers between the primary government funds during the 2018 period were as follows:

Transfer Out:	Transfer In:					Total
	General	Electric	Water	Debt Service	Special Revenue	
General	\$ -	\$ -	\$ -	\$ -	\$ 421,143	\$ 421,143
Electric	3,143,737	-	-	-	-	3,143,737
Water	999,082	50,928	-	-	-	1,050,010
Wastewater	244,174	27,669	-	-	-	271,843
Solid Waste	33,520	-	-	-	-	33,520
Special Revenue	-	-	-	114,800	-	114,800
Governmental Activities	-	-	5,246,372	-	-	5,246,372
Total	\$ 4,420,513	\$ 78,597	\$ 5,246,372	\$ 114,800	\$ 421,143	\$ 10,281,425

Amounts transferred between funds relate to amounts collected by general and enterprise funds for various governmental expenditures, capital expenditures and debt payments.

The compositions of interfund balances as of year-end were as follows:

Receivable fund	Payable fund	Amounts
Debt service	General	186,909
General	Garbage	50,685
Electric	General	102,361
Special Revenue	General	3,790
General	Special Revenue	1,786
		\$ 345,531

Amounts recorded as "due to/from" are considered to be temporary loans and will be repaid during the following year.

The compositions of interfund advances to/from balances as of the year ended September 30, 2018 were as follows:

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

<u>Advances to:</u>	<u>Advances from:</u> <u>General</u>	<u>Total</u>
JB Wells	\$ 181,937	\$ 181,937
Total	\$ 181,937	\$ 181,937

The amounts payable relate to working capital loans from the general fund to the JB Wells fund. None of the balance of the working capital loans is scheduled to be collected in the subsequent year.

V. 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 City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

The City is involved in a lawsuit whereas the plaintiff was injured due to a fall of a stage constructed by the City. The suit is currently in the discovery stage. It is of the City Attorney's opinion that the claim is likely to result in a settlement in the plaintiff's favor. The case is currently being handled under the TML risk pool insurance and the coverage limits are sufficient to pay the claim. The City does not anticipate any material exposure resulting from settlement.

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs monthly calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

D. Defined Benefit Pension Plans

1. Plan Description

The City of Gonzales, Texas 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.tmrs.com.

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

2. Benefits Provided

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

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

City of Gonzales, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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

	<u>Plan Year 2017</u>	<u>Plan Year 2016</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	55
Inactive employees entitled to but not yet receiving benefits	103
Active employees	106
Total	264

3. Contributions

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

Employees for the City of Gonzales were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Gonzales were 10.33% and 10.69% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were \$481,662, equal to the required contributions.

City of Gonzales, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

4. 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	3.0% 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 Tables 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.

The 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 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 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

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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 in fiscal year 2018 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	<u>5.0%</u>	7.50%
Total	100.0%	

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.

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/16	\$ 17,038,432	\$ 13,271,110	\$ 3,767,322
Changes for the year:			
Service Cost	521,851	-	521,851
Interest (on the Total Pension Liab.)	1,140,874	-	1,140,874
Difference between expected and actual experience	(149,433)	-	(149,433)
Changes of assumptions	-	-	-
Contributions – employer	-	480,311	(480,311)
Contributions – employee	-	232,347	(232,347)
Net investment income	-	1,838,300	(1,838,300)
Benefit payments, including refunds of emp. contributions	(795,043)	(795,043)	-
Administrative expense	-	(9,532)	9,532
Other changes	-	(482)	482
Net changes	718,249	1,745,901	(1,027,652)
Balance at 12/31/17	\$ 17,756,681	\$ 15,017,011	\$ 2,739,670

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 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 5,318,002	\$ 2,739,670	\$ 650,556

Pension Plan Fiduciary Net Position:

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

5. 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 \$614,016.

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows (Inflows) of Resources	Deferred Outflows (Inflows) of Resources
Difference between projected and investment earnings	\$ -	\$ (374,313)
Differences between expected and actual economic experience	1,052	-
Contributions subsequent to the measurement date	363,880	-
Total	\$ 364,932	\$ (374,313)

The City reported \$283,826 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:		
2018	\$	17,126
2019		15,006
2020		(216,896)
2021		(188,497)
2022		-
Thereafter		-
	\$	(373,261)

Other Postemployment Benefits

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

City of Gonzales, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

The City offers supplemental death to:	Plan Year 2015	Plan Year 2016
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	14
Active employees	106
Total	161

The City's contributions to the TMRS SDBF for the years ended 2018, 2017, and 2016 were \$3,521, \$2,827, and \$2,881, respectively, which equaled the required contributions each year.

The City's retiree contribution rates to the TMRS SDBF for the years ended 2018, 2017, and 2016 are as follows:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2016	0.06%	0.06%	100.0%
2017	0.07%	0.07%	100.0%
2018	0.08%	0.08%	100.0%

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2017, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

City of Gonzales, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation per year
Discount rate	3.31%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

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 Tables 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.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.31%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

1% Decrease (2.31%)	Current Single Rate Assumption 3.31%	1% Increase (4.31%)
\$ 338,272	\$ 285,105	\$ 243,735

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/16	\$ 247,906
Changes for the year:	
Service Cost	10,225
Interest	9,502
Changes of assumptions	20,725
Benefit payments	(3,253)
Net changes	37,199
Balance at 12/31/17	\$ 285,105

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 OPEB expense of \$23,324.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 17,127
Contributions subsequent to measurement date	2,723
Total	\$ 19,850

The City reported \$2,723 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2019.

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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

Year ended December 31:		
2018	\$	3,598
2019		3,598
2020		3,598
2021		3,598
2022		2,735
Thereafter		-
	\$	<u>17,127</u>

Texas Emergency Services Retirement System

1. Plan Description

The Fire Fighter's Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2018, there were 238 member fire or emergency services departments actively participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2018, TESRS membership consisted of:

Retirees and Beneficiaries Currently	
Receiving Benefits	3,553
Terminated Participants Entitled to Benefits	
but Not Yet Receiving Them	1,927
Active Participants (Vested and Nonvested)	<u>3,927</u>
Total	9,387

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

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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

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

2. Funding Policy

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

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

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017.

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

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

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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

3. Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2018, total contributions (dues and prior service) of \$4,789,358 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,329,224 for the fiscal year ending August 31, 2018.

The purpose of the biennial actuarial valuation is to test the adequacy of the contribution arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2018 concluded that the system has an adequate contribution arrangement.

To the best of our knowledge, the actuarial information supplied in this section is complete, accurate and in compliance with GASB Statement No. 25. In our opinion, the assumptions used are reasonably related to the experience of the System and to reasonable expectations. The assumptions represent a reasonable estimate of anticipated experience of the System over the long-term future, and their selection complies with the appropriate actuarial standards of practice.

Valuation Date	<u>August 31, 2014</u>	<u>August 31, 2016</u>	<u>August 31, 2018</u>
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level dollar, open	Level dollar, open	Level dollar, open
Amortization	Infinity	30 years	24 years
Asset Valuation Method	Market value smoothed by a 5- year deferred recognition method with a 80%/120% corridor on market value	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value
Actuarial Assumptions:			
Investment Rate of Return *	7.75% per year, net of investment expenses	7.75% per year, net of investment expenses	7.75% per year, net of investment expenses
Projected Salary Increases *	N/A	N/A	N/A
* Includes Inflation at	3.50%	3.50%	3.00%
Cost-of-Living Adjustments	None	None	None

The target allocation for each major asset class is summarized in the following table:

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities:		
Large cap domestic	32%	5.81%
Small cap domestic	15%	5.92%
Developed international	15%	6.21%
Emerging markets	5%	7.18%
Master limited partnership	5%	7.61%
Real Estate	5%	4.46%
Fixed income	23%	1.61%
Cash	0%	0%
Total	100.0%	5.01%

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that 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.

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

4. Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 8/31/17	\$ 251,787	\$ 204,984	\$ 46,803
Changes for the year:			
Service Cost	3,107	-	3,107
Interest (on the Total Pension Liab.)	19,313	-	19,313
Change in benefit terms	5,509	-	5,509
Difference between expected and actual experience	(176)	-	(176)
Contributions – members	-	7,993	(7,993)
Contributions – state	-	2,592	(2,592)
Net investment income	-	22,062	(22,062)
Benefit payments, including refunds of emp. contributions	(11,387)	(11,387)	-
Change in allocation %	-	-	-
Administrative expense	-	(309)	309
Other changes	-	-	-
Net changes	16,366	20,951	(4,585)
Balance at 8/31/18	\$ 268,153	\$ 225,935	\$ 42,218

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:

1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
\$ 83,901	\$ 42,218	\$ 14,105

Pension Plan Fiduciary Net Position:

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

5. 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 \$13,383.

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between projected and investment earnings	\$ -	\$ (2,333)
Changes in actuarial assumptions	158	-
Proportion changes	-	(17,886)
Differences between expected and actual economic experience	-	(110)
Total	\$ 158	\$ (20,329)

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	\$	1,646
2020		(2,588)
2021		(3,301)
2022		(2,339)
2023		(1,074)
Thereafter		(12,515)
	\$	(20,171)

At September 30, 2018, the City reported a liability of \$42,218 for its proportionate share of the net pension liability. The net pension liability was measured as of August 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2018. The City's proportion of the net pension liability was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating fire departments, actuarially determined. At August 31, 2018, the City's proportion was 0.1950%, which was a decrease of 0.0409% from its proportion measured as of August 31, 2017.

City of Gonzales, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

E. Tax Abatement Disclosures

The City of Gonzales negotiates sales tax abatement agreements on an individual basis. The City had the following tax abatement agreement as of September 30, 2018:

<u>Purpose</u>	Percentage of Taxes Abated during the Fiscal Year	Amount of Taxes Abated during the Fiscal Year Sales Tax
Action Properties; owners of: Dollar Tree, Hibbett Sports, and Factory Connection	90%	\$ 20,974
Avalon Park	90%	7,357
Total		\$ 28,331

The agreement was negotiated under Article III, Section 52-a, Texas Constitution, and Chapter 380, Texas Local Gov't Code, stating that the City may establish and provide for the administration of a program for making loans and grants of public money to promote state or local economic development and to stimulate business and commercial activity in the municipality. The agreement is in accordance with Section 501.103, Texas Local Gov't Code. Taxes were abated through a rebate of taxes received. Recipients of the sales tax abatements agree to operate within the City limits through the term of their agreement.

The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not subject to any tax abatement agreements entered into by other governmental entities. The City has chosen to disclose information about its tax abatement agreements individually.

F. Restatement

Due to the implementation of GASB No. 75, the City restated its beginning net position within governmental activities and business-type activities to properly reflect the total OPEB liability and related deferred outflows and inflows of resources, as prescribed by this accounting standard. This adjustment was recorded at the fund level for proprietary funds only, and recorded at the government-wide level for both governmental and business-type activities. In addition, the City corrected a prior year accounting error related to accumulated depreciation for its discretely presented component unit.

City of Gonzales, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

The below tables summarize the changes to net position as a result of these changes.

	Governmental Activities				
Prior year ending net position, as reported	\$	12,225,466			
Impact of implementation of GASB 75		(191,452)			
Restated beginning net position/fund balance	\$	12,034,014			

	Business-Type Activities	Electric	Water	Wastewater	Solid Waste
Prior year ending net position as reported	\$ 15,988,382	\$ 3,411,356	\$ (1,676,613)	\$ 13,952,615	\$ 301,024
Impact of implementation of GASB 75	(53,998)	(21,207)	(15,954)	(14,260)	(2,577)
Restated beginning net position	\$ 15,934,384	\$ 3,390,149	\$ (1,692,567)	\$ 13,938,355	\$ 298,447

	Component Unit	
Prior year ending net position, as reported	\$	3,547,194
Correction to accumulated depreciation		(39,841)
Restated beginning net position	\$	3,507,353

G. Subsequent Events

There were no material subsequent events through April 1, 2019, the date the financial statements were available to be issued.

H. Related Party Transaction

During the year, the Gonzales Economic Development Corporation sold a building to the Executive Director's son in law for \$33,338. The building had a carrying value of \$40,000 at the time of sale.

REQUIRED SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

City of Gonzales, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance with Budget - Positive (Negative)
<u>Revenues</u>				
Property tax	\$ 1,034,857	\$ 406,523	\$ 495,885	\$ 89,362
Sales tax	1,459,995	1,459,995	1,780,877	320,882
Franchise and local taxes	439,429	439,429	422,333	(17,096)
License and permits	54,265	54,265	88,583	34,318
Parks	189,145	189,145	158,787	(30,358)
Intergovernmental revenue	-	-	56,951	56,951
Fines and forfeitures	241,177	241,177	115,274	(125,903)
Investment income	4,500	4,500	18,127	13,627
Other revenue	542,650	546,950	620,745	73,795
Total Revenues	3,966,018	3,341,984	3,757,562	415,578
<u>Expenditures</u>				
Current:				
General government	1,835,333	1,960,248	1,877,624	82,624
Public safety	3,756,513	3,603,368	3,176,842	426,526
Municipal court	159,187	187,987	169,736	18,251
Parks and recreation	1,034,223	1,034,223	699,277	334,946
Street	815,850	696,235	661,850	34,385
Library	219,249	239,904	228,765	11,139
Airport	102,205	102,205	70,999	31,206
Museum	102,258	81,303	71,041	10,262
Debt service - principal	76,000	168,265	168,265	-
Debt service - interest	-	18,644	18,644	-
Capital Outlay	48,000	48,000	-	48,000
Total Expenditures	8,148,818	8,140,382	7,143,043	997,339
Revenues Over (Under)				
Expenditures	(4,182,800)	(4,798,398)	(3,385,481)	1,412,917
<u>Other Financing Sources (Uses)</u>				
Sale of capital assets	175	175	422,748	422,573
Insurance recoveries	5,600	7,400	7,370	(30)
Transfers in	4,177,025	4,618,450	4,420,513	(197,937)
Transfers (out)	-	-	(421,143)	(421,143) *
Total Other Financing Sources	4,182,800	4,626,025	4,429,488	(196,537)
Net Change in Fund Balance	\$ -	\$ (172,373)	1,044,007	\$ 1,216,380
Beginning fund balance			277,015	
Ending Fund Balance			\$ 1,321,022	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* 2. Expenditures exceeded appropriations at the legal level of control.

City of Gonzales, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL JB WELLS

For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Parks	\$ 685,355	\$ 681,055	\$ 608,496	\$ (72,559)
Total Revenues	<u>685,355</u>	<u>681,055</u>	<u>608,496</u>	<u>(72,559)</u>
<u>Expenditures</u>				
Current:				
Parks	802,793	799,793	642,315	157,478
Capital outlay	35,000	35,000	33,641	1,359
Total Expenditures	<u>837,793</u>	<u>834,793</u>	<u>675,956</u>	<u>158,837</u>
<u>Other Financing Sources (Uses)</u>				
Insurance recoveries	-	-	810	810
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>810</u>	<u>810</u>
Net Change in Fund Balance	<u>\$ (152,438)</u>	<u>\$ (153,738)</u>	(66,650)	<u>\$ 87,088</u>
Beginning fund balance			(122,443)	
Ending Fund Balance			<u>\$ (189,093)</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Gonzales, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL SPECIAL REVENUE FUND

For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Other taxes	\$ 240,500	\$ 240,500	\$ 394,578	\$ 154,078
Fines and forfeitures	7,300	7,300	20,860	13,560
Investment income	6,766	6,766	17,017	10,251
Donations	2,000	2,000	15,635	13,635
Other revenue	90,945	90,945	112,624	21,679
Total Revenues	347,511	347,511	560,714	213,203
<u>Expenditures</u>				
Current:				
Public safety	6,000	6,000	31,350	(25,350) *
Municipal court	-	-	7,063	(7,063) *
Tourism	401,270	291,470	268,595	22,875
Debt service - interest	3,000	3,000	-	3,000
Capital outlay	-	-	37,394	(37,394) *
Total Expenditures	410,270	300,470	344,402	(43,932)
<u>Other Financing Sources</u>				
Transfers in	13,200	13,200	421,143	407,943
Transfers (out)	-	(114,800)	(114,800)	-
Total Other Financing Sources	13,200	(101,600)	306,343	407,943
Net Change in Fund Balance	\$ (49,559)	\$ (54,559)	522,655	\$ 577,214
Beginning fund balance			378,111	
Ending Fund Balance			\$ 900,766	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* 2. Expenditures exceeded appropriations at the legal level of control.

City of Gonzales, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TMRS Years Ended December 31,

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 521,851	\$ 544,213	\$ 519,559	\$ 423,436
Interest (on the Total Pension Liability)	1,140,874	1,077,558	1,080,379	1,011,186
Differences between expected and actual experience	(149,433)	303,052	(227,544)	230,389
Changes of assumptions	-	-	67,955	-
Benefit payments, including refunds of participant contributions	(795,043)	(1,156,225)	(689,434)	(759,772)
Net change in total pension liability	718,249	768,598	750,915	905,239
Total pension liability - beginning	17,038,432	16,269,834	15,518,919	14,613,680
Total pension liability - ending (a)	\$ 17,756,681	\$ 17,038,432	\$ 16,269,834	\$ 15,518,919
Plan fiduciary net position				
Contributions - employer	\$ 480,311	\$ 503,386	\$ 528,049	\$ 597,844
Contributions - members	232,347	240,802	235,735	231,903
Net investment income	1,838,300	866,444	18,808	686,330
Benefit payments, including refunds of participant contributions	(795,043)	(1,156,225)	(689,434)	(759,772)
Administrative expenses	(9,532)	(9,790)	(11,456)	(7,166)
Other	(482)	(528)	(566)	(589)
Net change in plan fiduciary net position	1,745,901	444,089	81,136	748,550
Plan fiduciary net position - beginning	13,271,110	12,827,021	12,745,885	11,997,335
Plan fiduciary net position - ending (b)	\$ 15,017,011	\$ 13,271,110	\$ 12,827,021	\$ 12,745,885
Fund's net pension liability - ending (a) - (b)	\$ 2,739,670	\$ 3,767,322	\$ 3,442,813	\$ 2,773,034
Plan fiduciary net position as a percentage of the total pension liability	84.57%	77.89%	78.84%	82.13%
Covered payroll	\$ 4,646,934	\$ 4,816,048	\$ 4,714,692	\$ 4,638,061
Fund's net pension liability as a percentage of covered payroll	58.96%	78.22%	73.02%	59.79%

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

City of Gonzales, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN-TMRS

Years Ended September 30:

	2018	2017	2016	2015 ¹
Actuarially determined employer contributions	\$ 481,662	\$ 487,483	\$ 511,532	\$ 567,731
Contributions in relation to the actuarially determined contribution	<u>\$ 481,662</u>	<u>\$ 487,768</u>	<u>\$ 511,532</u>	<u>\$ 574,002</u>
Contribution deficiency (excess)	\$ -	\$ (285)	\$ -	\$ (6,271)
Annual covered payroll	\$ 4,544,120	\$ 4,712,103	\$ 4,801,592	\$ 4,866,400
Employer contributions as a percentage of covered payroll	10.60%	10.35%	10.65%	11.80%

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes 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	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

City of Gonzales, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TESRS

Years Ended:

	8/31/2018	8/31/2017	8/31/2016	8/31/2015	8/31/2014 ¹
Total pension liability					
Service cost	\$ 3,107	\$ 3,760	\$ 4,795	\$ 4,998	\$ 5,556
Interest (on the Total Pension Liability)	19,313	22,340	25,193	24,989	24,476
Changes in benefit terms	5,509	-	2,043	-	-
Differences between expected and actual experience	(176)	-	183	-	-
Changes of assumptions	-	-	2,519	-	-
Benefit payments, including refunds of participant contributions	(11,387)	(11,873)	(13,306)	(13,271)	(12,671)
Net change in total pension liability	16,366	14,227	21,427	16,716	17,361
Total pension liability - beginning	251,787	290,432	326,924	324,072	316,598 ²
Total pension liability - ending (a)	\$ 268,153	\$ 304,659	\$ 348,351	\$ 340,788	\$ 333,959
Plan fiduciary net position					
Contributions - employer	\$ 7,993	\$ 11,826	\$ 9,802	\$ 10,371	\$ 12,697
Contributions - state	2,592	3,737	4,482	4,830	4,652
Net investment income	22,062	23,067	14,028	(9,714)	36,202
Benefit payments, including refunds of participant contributions	(11,387)	(11,873)	(13,306)	(13,271)	(12,671)
Administrative expenses	(309)	(434)	(472)	(637)	(504)
Net change in plan fiduciary net position	20,951	26,323	14,534	(8,421)	40,376
Plan fiduciary net position - beginning	204,984	221,705	251,385	270,465	238,341
Plan fiduciary net position - ending (b)	\$ 225,935	\$ 248,028	\$ 265,919	\$ 262,044	\$ 278,717
Fund's net pension liability - ending (a)	\$ 42,218	\$ 56,631	\$ 82,432	\$ 78,744	\$ 55,242
Plan fiduciary net position as a percentage of the total pension liability	84.3%	81.4%	76.3%	76.9%	83.5%
Number of active members	3,927	4,046	3,634	4,036	4,036 ³
System's Net Pension Liability per Active Member	\$ 11	\$ 14	\$ 23	\$ 20	\$ 14
City's proportional share of total net pension liability	0.1950%	0.2359%	0.2830%	0.2950%	0.2830%

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

2) Determined from the end of year total pension liability using the roll back procedure allowed for the initial year of implementing GASB 67.

3) There is no compensation for active members, so number of active members is used instead.

City of Gonzales, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN-TESRS

Years Ended August 31,

	2018	2017	2016	2015	2014	¹
Actuarially determined employer contributions	\$ 9,327	\$ 11,412	\$ 12,960	\$ 13,932	\$ 13,788	
Contributions in relation to the actuarially determined contribution	\$ 9,327	\$ 11,412	\$ 12,960	\$ 13,932	\$ 13,788	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	
Number of active members	3,927	4,046	3,634	4,036	4,036	²

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

2) Determined from the end of year total pension liability using the roll back procedure allowed for the initial year of implementing GASB 67.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes August 31, 2018

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Remaining Amortization Period	30 years
Inflation	3%
Salary Increases	N/A
Investment Rate of Return	7.75%
Retirement Age	Retirement ages ranging from 55 - 70
Mortality	RP2000 Combined Healthy Lives Mortality Tables for males and females projected to 2024 by scale AA

Other Information:

Notes There were no benefit changes during the year.

City of Gonzales, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN Years Ended

	<u>12/31/2017</u> ¹
Total OPEB liability	
Service cost	\$ 10,223
Interest	9,503
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	20,725
Benefit payments, including refunds of participant contributions	(3,252)
Net change in total OPEB liability	<u>37,199</u>
Total OPEB liability - beginning	<u>247,906</u>
Total OPEB liability - ending (a)	<u><u>\$ 285,105</u></u> ²
 Covered payroll	 \$ 4,646,934
City's total OPEB liability as a percentage of covered payroll	6.14%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

OTHER SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

City of Gonzales, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL DEBT SERVICE FUND

For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property taxes	\$ -	\$ 628,334	\$ 665,904	\$ 37,570
Intergovernmental	-	114,800	114,800	-
Investment income	-	-	835	835
Total Revenues	-	743,134	781,539	38,405
<u>Expenditures</u>				
Current:				
General government	-	-	10,598	(10,598) *
Debt service:				
Principal	-	390,000	390,000	-
Interest	-	281,025	281,025	-
Total Expenditures	-	671,025	681,623	(10,598)
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	114,800	114,800	-
Total Other Financing Sources	-	114,800	114,800	-
Net Change in Fund Balance	\$ -	\$ 186,909	214,716	\$ 27,807
Beginning fund balance			-	
Ending Fund Balance			\$ 214,716	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* 2. Expenditures exceeded appropriations at the legal level of control.

(This page intentionally left blank.)

STATISTICAL SECTION

This part of the City'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 City's overall financial health.

Contents	Page
----------	------

Financial Trends	106
------------------	-----

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity	116
------------------	-----

These schedules contain information to help the reader assess the City's most significant local revenue source, sales and property tax.

Debt Capacity	126
---------------	-----

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information	136
--------------------------------------	-----

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information	140
-----------------------	-----

These schedules contain 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.

City of Gonzales, Texas

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(accrual basis of accounting)

	2009	2010	2011	2012
Governmental activities				
Net investment in				
capital assets	\$ 9,856,780	\$ 10,126,254	\$ 9,801,104	\$ 10,378,942
Restricted	149,952	171,315	164,271	124,470
Unrestricted	2,269,818	1,915,562	2,126,574	2,726,546
Total governmental activities Net				
Position	<u>\$ 12,276,550</u>	<u>\$ 12,213,131</u>	<u>\$ 12,091,949</u>	<u>\$ 13,229,958</u>
Business-type activities				
Net investment in				
capital assets	\$ 12,115,425	\$ 13,603,574	\$ 13,638,610	\$ 13,666,094
Restricted	-	-	-	-
Unrestricted	3,881,790	2,614,746	3,438,104	4,491,403
Total business-type activities				
Net Position	<u>\$ 15,997,215</u>	<u>\$ 16,218,320</u>	<u>\$ 17,076,714</u>	<u>\$ 18,157,497</u>
Primary government				
Net investment in				
capital assets	\$ 21,972,205	\$ 23,729,828	\$ 23,439,714	\$ 24,045,036
Restricted	149,952	171,315	164,271	124,470
Unrestricted	6,151,608	4,530,308	5,564,678	7,217,949
Total primary government Net				
Position	<u>\$ 28,273,765</u>	<u>\$ 28,431,451</u>	<u>\$ 29,168,663</u>	<u>\$ 31,387,455</u>

(1) First year of fiscal year-end change from March 31 to September 30. Balances presented for the six-month period ended September 30, 2013 due to the fiscal year-end change.

<u>2013 (1)</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 10,989,630	\$ 12,024,366	\$ 13,001,908	\$ 13,068,932	\$ 13,767,318	\$ 9,756,018
522,863	903,103	662,600	724,882	458,387	1,162,218
1,933,287	(1,081,957)	(1,366,640)	(1,044,851)	(2,191,691)	(1,316,312)
<u>\$ 13,445,780</u>	<u>\$ 11,845,512</u>	<u>\$ 12,297,868</u>	<u>\$ 12,748,963</u>	<u>\$ 12,034,014</u>	<u>\$ 9,601,924</u>
\$ 13,303,699	\$ 13,643,242	\$ 13,028,944	\$ 13,354,574	\$ 12,712,078	\$ 15,868,532
-	-	-	-	-	-
5,943,588	4,222,783	3,421,733	2,442,718	3,222,306	6,373,446
<u>\$ 19,247,287</u>	<u>\$ 17,866,025</u>	<u>\$ 16,450,677</u>	<u>\$ 15,797,292</u>	<u>\$ 15,934,384</u>	<u>\$ 22,241,978</u>
\$ 24,293,329	\$ 25,667,608	\$ 25,330,852	\$ 26,423,506	\$ 26,479,396	\$ 25,624,550
522,863	903,103	662,600	724,882	458,387	1,162,218
7,963,572	3,140,826	2,103,896	1,397,867	1,030,615	5,057,134
<u>\$ 32,779,764</u>	<u>\$ 29,711,537</u>	<u>\$ 28,097,348</u>	<u>\$ 28,546,255</u>	<u>\$ 27,968,398</u>	<u>\$ 31,843,902</u>

City of Gonzales, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government	\$ 1,370,879	\$ 1,457,539	\$ 1,501,133	\$ 1,446,039
Public safety and courts	1,833,621	1,973,477	2,070,487	2,359,838
Parks and recreation	1,392,357	1,672,890	1,613,387	1,753,739
Streets	660,813	590,245	608,849	615,163
Total governmental activities expenses	5,257,670	5,694,151	5,793,856	6,174,779
Business-type activities:				
Electric	7,690,230	7,510,738	6,828,900	7,346,445
Water	1,327,342	1,301,703	1,229,729	1,377,994
Wastewater	793,193	776,140	871,834	797,674
Solid waste	1,020,519	1,006,148	1,013,423	1,107,820
Interest and fiscal charges	-	-	3,809	104,266
Total business-type activities expenses	10,831,284	10,594,729	9,947,695	10,734,199
Total primary government expenses	\$ 16,088,954	\$ 16,288,880	\$ 15,741,551	\$ 16,908,978
Program Revenues				
Governmental activities:				
Charges for services:				
Licenses and permits	\$ 30,057	\$ 22,106	\$ 43,421	\$ 78,499
Intergovernmental payments	452,328	454,498	103,988	-
Parks and recreation fees	427,757	570,842	807,990	1,157,814
Court fees and fines	69,669	78,497	67,414	94,007
Other activities	30,019	26,347	50,719	-
Operating grants and contributions	65,143	174,657	103,988	67,459
Capital grants and contributions	227,340	367,199	40,172	-
Total governmental activities program revenue	1,302,313	1,694,146	1,217,692	1,397,779
Business-type activities:				
Charges for services:				
Electric	8,052,526	8,169,137	7,992,807	8,432,605
Water	1,712,568	1,688,983	1,683,160	2,270,746
Wastewater	1,158,729	1,140,586	1,204,927	1,255,605
Solid waste	1,017,523	991,208	996,387	1,062,714
Capital grants and contributions	-	-	409,445	-
Total business-type activities program revenue	11,941,346	11,989,914	12,286,726	13,021,670
Total primary government program revenue	\$ 13,243,659	\$ 13,684,060	\$ 13,504,418	\$ 14,419,449
Net (Expense)/Revenue				
Governmental activities	\$ (3,955,357)	\$ (4,000,005)	\$ (4,576,164)	\$ (4,777,000)
Business-type activities	1,110,062	1,395,185	2,339,031	2,287,471
Total primary government net expense	\$ (2,845,295)	\$ (2,604,820)	\$ (2,237,133)	\$ (2,489,529)

(1) Year presented is for the fiscal year ended March 31, 2013. The fiscal year-end was later changed to September 30.

(2) First full year after fiscal year-end change

2013 (1)	2014 (2)	2015	2016	2017	2018
\$ 2,001,074	\$ 2,547,783	\$ 2,886,384	\$ 2,976,420	\$ 3,068,223	\$ 3,053,250
2,797,093	2,906,582	3,230,681	3,717,234	3,698,351	3,483,984
1,957,620	2,025,433	1,898,763	1,880,436	1,816,090	1,565,511
686,814	761,097	1,010,085	847,200	631,444	777,485
7,442,601	8,240,895	9,025,913	9,421,290	9,214,108	8,880,230
6,578,556	7,785,315	7,956,661	6,530,385	6,588,098	6,720,405
1,086,317	1,187,515	1,564,926	1,196,087	1,139,656	1,024,926
786,204	1,179,007	901,159	983,380	899,891	964,924
1,160,580	1,297,022	998,443	765,550	819,655	783,679
168,159	188,057	182,222	177,173	269,148	45,511
9,779,816	11,636,916	11,603,411	9,652,575	9,716,448	9,539,445
\$ 17,222,417	\$ 19,877,811	\$ 20,629,324	\$ 19,073,865	\$ 18,930,556	\$ 18,419,675
\$ 112,293	\$ 107,799	\$ 89,967	\$ 58,503	\$ 48,938	\$ 88,583
150,000	139,517	43,569	2,353,248	-	-
1,042,247	774,665	742,975	745,129	779,805	767,283
80,971	160,787	173,042	186,290	238,181	136,134
-	-	-	-	-	-
-	-	-	-	295,213	187,386
-	-	-	-	146,145	1,124,832
1,385,511	1,182,768	1,049,553	3,343,170	1,508,282	2,304,218
8,060,945	8,793,461	9,306,353	8,716,804	9,526,968	10,789,959
2,478,759	2,204,466	2,230,017	1,809,064	2,001,499	2,011,020
1,401,861	1,235,360	1,237,028	1,113,626	1,165,179	1,278,964
1,165,334	1,389,846	1,017,410	700,779	737,749	889,115
-	-	-	-	-	-
13,106,899	13,623,133	13,790,808	12,340,273	13,431,395	14,969,058
\$ 14,492,410	\$ 14,805,901	\$ 14,840,361	\$ 15,683,443	\$ 14,939,677	\$ 17,273,276
\$ (6,057,090)	\$ (7,058,127)	\$ (7,976,360)	\$ (6,078,120)	\$ (7,705,826)	\$ (6,576,012)
3,327,083	1,986,217	2,187,397	2,687,698	3,714,947	5,429,613
\$ (2,730,007)	\$ (5,071,910)	\$ (5,788,963)	\$ (3,390,422)	\$ (3,990,879)	\$ (1,146,399)

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

	2009	2010	2011	2012
General Revenues and Other				
Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	\$ 735,884	\$ 769,421	\$ 792,613	\$ 760,242
Sales taxes	914,747	886,192	963,596	1,425,900
Hotel occupancy taxes	432,447	554,486	689,990	247,992
Franchise and local taxes	597,189	511,834	636,914	992,312
Investment earnings	42,960	15,370	6,683	5,518
Other income	77,303	159,743	249,364	498,660
Transfers, net	1,085,326	1,184,988	1,239,996	1,912,076
Total governmental activities	<u>3,885,856</u>	<u>4,082,034</u>	<u>4,579,156</u>	<u>5,842,700</u>
Business-type activities:				
Investment earnings	111,055	10,908	10,293	38,244
Other Income	6,040	-	-	-
Transfers, net	(1,085,326)	(1,184,988)	(1,239,996)	(1,912,076)
Total business-type activities	<u>(968,231)</u>	<u>(1,174,080)</u>	<u>(1,229,703)</u>	<u>(1,873,832)</u>
Total primary government	<u>\$ 2,917,625</u>	<u>\$ 2,907,954</u>	<u>\$ 3,349,453</u>	<u>\$ 3,968,868</u>
Change in Net Position				
Governmental activities	\$ (69,501)	\$ 82,029	\$ 2,992	\$ 1,065,700
Business-type activities	141,831	221,105	1,109,328	413,639
Total primary government	<u>\$ 72,330</u>	<u>\$ 303,134</u>	<u>\$ 1,112,320</u>	<u>\$ 1,479,339</u>

(1) Year presented is for the fiscal year ended March 31, 2013. The fiscal year was later changed to September 30.
March 31 to September 30.

2013 (1)	2014 (2)	2015	2016	2017	2018
\$ 754,213	\$ 665,703	\$ 664,616	\$ 675,559	\$ 738,354	\$ 1,171,717
1,553,271	1,874,823	1,898,902	1,448,172	1,508,489	1,780,877
384,390	700,988	574,719	240,503	227,767	394,578
210,645	254,482	288,900	319,741	311,656	422,333
6,788	9,185	7,282	17,085	12,834	35,979
674,092	548,200	689,362	837,978	595,021	1,164,297
2,553,689	2,932,968	3,604,935	3,470,765	3,596,756	(825,859)
6,137,088	6,986,349	7,728,716	7,009,803	6,990,877	4,143,922
11,730	10,068	2,190	6,274	18,901	52,122
-	-	837,978	-	-	-
(2,553,689)	(2,932,968)	(3,604,935)	(3,470,765)	(3,596,756)	825,859
(2,541,959)	(2,922,900)	(2,764,767)	(3,464,491)	(3,577,855)	877,981
\$ 3,595,129	\$ 4,063,449	\$ 4,963,949	\$ 3,545,312	\$ 3,413,022	\$ 5,021,903
\$ 79,998	\$ (71,778)	\$ (247,644)	\$ 931,683	\$ (714,949)	\$ (2,432,090)
785,124	(936,683)	(577,370)	(776,793)	137,092	6,307,594
\$ 865,122	\$ (1,008,461)	\$ (825,014)	\$ 154,890	\$ (577,857)	\$ 3,875,504

City of Gonzales, Texas
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years
(modified accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General fund:				
Nonspendable	\$ -	\$ -	\$ 95,838	\$ 42,044
Assigned	149,952	171,315	164,271	397,909
Restricted	-	-	-	-
Unassigned	1,749,110	1,438,541	1,663,131	2,221,566
Total general fund	<u>\$ 1,899,062</u>	<u>\$ 1,609,856</u>	<u>\$ 1,827,402</u>	<u>\$ 2,661,519</u>
 All other governmental funds:				
Restricted	\$ 75,572	\$ 41,589	\$ 43,819	\$ 124,470
Unassigned, reported in:				
Special revenue funds	-	-	-	(54,555)
Total all other governmental funds	<u>\$ 75,572</u>	<u>\$ 41,589</u>	<u>\$ 43,819</u>	<u>\$ 69,915</u>

March 31 to September 30. Balances
presented for the six-month period ended

<u>2013 (1)</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,903
426,491	228,828	26,305	19,087	72,052	34,662
29,179	37,949	37,949	37,949	80,276	228,673
2,163,270	1,398,453	585,166	355,769	124,687	1,010,784
<u>\$ 2,618,940</u>	<u>1,665,230</u>	<u>\$ 649,420</u>	<u>\$ 412,805</u>	<u>\$ 277,015</u>	<u>\$ 1,321,022</u>
\$ 493,684	\$ 865,154	\$ 2,908,591	\$ 1,082,162	\$ 378,111	\$ 1,115,482
(61,037)	(583,118)	(1,232)	(19,776)	(122,443)	(189,093)
<u>\$ 432,647</u>	<u>\$ 282,036</u>	<u>\$ 2,907,359</u>	<u>\$ 1,062,386</u>	<u>\$ 255,668</u>	<u>\$ 926,389</u>

City of Gonzales, Texas

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2009	2010	2011	2012
Revenues				
Taxes	\$ 2,656,935	\$ 2,730,914	\$ 2,861,684	\$ 3,432,817
Licenses and permits	27,765	22,106	42,576	78,499
Intergovernmental	672,906	821,697	513,357	-
Charges for services	434,519	570,842	807,990	1,157,814
Parks	-	-	-	-
Fines and forfeitures	113,004	81,468	76,844	94,007
Investment income	42,960	15,370	6,683	5,518
Miscellaneous	88,985	190,320	132,206	498,660
Grant revenues	65,143	174,657	103,988	67,459
Total Revenues	4,102,217	4,607,374	4,545,328	5,334,774
Expenditures				
General government	1,121,635	1,133,911	1,154,871	1,235,987
Public safety courts	1,854,670	2,314,674	2,087,679	2,206,436
Municipal court				
Parks and recreation	1,317,722	1,630,340	1,498,223	1,521,116
Street	574,340	692,368	589,624	452,091
Memorial building	47,182	52,691	84,210	-
Library	142,695	141,813	154,861	162,149
Airport	14,626	149,754	36,696	49,350
Museum	-	-	-	-
Tourism	-	-	-	-
Capital outlay	-	-	-	1,337,534
Debt service				
Issuance costs	-	-	-	-
Interest	-	-	-	-
Principal	-	-	-	-
Total Expenditures	5,072,870	6,115,551	5,606,164	6,964,663
Excess of Revenues				
Over (Under) Expenditures	(970,653)	(1,508,177)	(1,060,836)	(1,629,889)
Other Financing Sources (Uses)				
Bond issued	-	-	-	-
Capital leases issued	-	-	-	-
Sale of capital assets	-	-	-	-
Insurance recoveries	-	-	-	-
Transfers in	1,183,992	1,085,326	1,184,988	1,239,996
Transfers (out)	-	-	-	-
Total Other Financing Sources	1,183,992	1,085,326	1,184,988	1,239,996
Net Change in Fund Balances	\$ 213,339	\$ (422,851)	\$ 124,152	\$ (389,893)
Ratio of total debt service expenditures to noncapital	0.00%	0.00%	0.00%	0.00%

(1) Year presented is for the fiscal year ended March 31, 2013. The fiscal year-end was later changed to September 30.

(2) First full year after fiscal year-end change from March 31 to September 30.

2013 (1)	2014 (2)	2015	2016	2017	2018
\$ 2,902,519	\$ 3,515,263	\$ 3,447,970	\$ 2,683,975	\$ 2,771,841	\$ 3,759,577
112,293	107,799	89,967	58,503	48,938	88,583
150,000	139,517	43,569	2,353,248	113,525	171,751
-	-	-	-	-	-
1,042,247	774,665	742,975	745,129	779,805	767,283
80,971	160,787	173,042	186,290	238,181	136,134
6,788	9,185	7,282	17,085	12,834	35,979
674,092	548,200	689,362	523,497	569,252	733,369
-	-	-	-	181,688	15,635
4,968,910	5,255,416	5,194,167	6,567,727	4,716,064	5,708,311
1,486,835	2,990,394	1,992,639	2,282,627	1,870,595	1,801,068
2,310,259	2,758,161	3,083,671	3,465,995	3,029,016	3,016,851
267,419	143,845	170,691	157,571	165,326	176,799
1,701,763	1,952,657	1,680,868	1,557,125	1,314,351	1,301,047
480,224	586,573	783,821	551,961	472,633	464,210
-	-	-	-	-	-
160,167	183,452	208,496	215,103	357,723	214,512
190,038	120,254	38,105	132,069	54,249	63,883
-	-	-	-	64,134	71,041
-	-	-	-	264,130	268,595
978,303	599,999	2,821,921	4,045,790	1,274,980	609,084
-	-	91,633	-	-	-
-	-	48,337	229,696	130,730	299,669
-	-	8,561	187,639	283,230	558,265
7,575,008	9,335,335	10,928,743	12,825,576	9,281,097	8,845,024
(2,606,098)	(4,079,919)	(5,734,576)	(6,257,849)	(4,565,033)	(3,136,713)
-	-	3,391,633	-	-	-
-	-	347,520	705,496	-	-
-	-	-	-	175	422,748
-	-	-	-	25,594	8,180
2,553,689	2,942,894	4,460,010	3,631,387	3,918,549	4,956,456
-	(9,926)	(855,075)	(160,622)	(321,793)	(535,943)
2,553,689	2,932,968	7,344,088	4,176,261	3,622,525	4,851,441
\$ (52,409)	\$ (1,146,951)	\$ 1,609,512	\$ (2,081,588)	\$ (942,508)	\$ 1,714,728
0.00%	0.00%	0.70%	4.75%	5.17%	10.42%

City of Gonzales, Texas

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Real estate	\$ 48,659,360	\$ 52,019,730	\$ 52,566,270	\$ 50,492,970
Improved real estate	198,778,910	213,463,930	222,612,640	224,807,100
Personal property	32,172,890	31,620,980	29,905,710	29,589,430
Other Property	34,512,050	36,206,140	36,465,140	43,215,840
Total taxable assessed value	<u>\$ 314,123,210</u>	<u>\$ 333,310,780</u>	<u>\$ 341,549,760</u>	<u>\$ 348,105,340</u>
Less: tax-exempt property	(37,004,060)	(35,971,880)	(45,269,180)	(43,927,580)
Taxable value	<u><u>\$ 277,119,150</u></u>	<u><u>\$ 297,338,900</u></u>	<u><u>\$ 296,280,580</u></u>	<u><u>\$ 304,177,760</u></u>
Total direct property tax rate	0.26770	0.25770	0.26030	0.25180

(1) Assessed valuations are considered to be 100 percent of actual valuations.

Source: Gonzales County Tax Appraisal District

2013	2014	2015	2016	2017	2018
\$ 54,623,030	\$ 64,048,360	\$ 66,010,960	\$ 67,227,750	\$ 69,949,627	\$ 76,335,530
235,425,520	244,391,970	291,124,750	304,490,260	312,674,733	323,227,290
28,578,080	35,299,300	46,574,720	46,433,070	43,382,300	42,196,140
58,244,680	63,647,060	64,415,820	68,902,660	67,411,750	73,572,720
<u>\$ 376,871,310</u>	<u>\$ 407,386,690</u>	<u>\$ 468,126,250</u>	<u>\$ 487,053,740</u>	<u>\$ 493,418,410</u>	<u>\$ 515,331,680</u>
(48,709,210)	(53,159,770)	(65,456,100)	(66,214,520)	(77,416,710)	(70,230,600)
<u>\$ 328,162,100</u>	<u>\$ 354,226,920</u>	<u>\$ 402,670,150</u>	<u>\$ 420,839,220</u>	<u>\$ 416,001,700</u>	<u>\$ 445,101,080</u>
0.2329	0.1845	0.1845	0.1595	0.1769	0.275

City of Gonzales, Texas

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years

	2009	2010	2011	2012
City of Gonzales	\$ 0.2677	\$ 0.2577	\$ 0.2603	\$ 0.2518
Emergency Services District	0.0600	0.0620	0.0660	0.0875
Rural Fire District	0.0218	0.0225	0.0240	0.0240
Gonzales County	0.6450	0.6450	0.6450	0.6268
Gonz. Cty Underground Water District	0.0114	0.0114	0.0114	0.0114
Gonzales Healthcare Systems	0.2059	0.1984	0.1975	0.1975
Gonzales ISD	1.0805	1.1115	1.1083	1.0400
Total Direct and Overlapping Rates	\$ 2.2923	\$ 2.3085	\$ 2.3125	\$ 2.2390

Tax rates per \$100 of assessed valuation

Source: Gonzales County Tax Assessor/Collector

2013		2014		2014		2016		2017		2018	
\$	0.2329	\$	0.1845	\$	0.1628	\$	0.1595	\$	0.1769	\$	0.2750
	0.0510		0.0280		0.0184		0.0298		0.0463		0.0470
	0.0142		0.0084		0.0059		0.0132		0.0190		0.0300
	0.3554		0.2708		0.3045		0.3449		0.5086		0.4785
	0.0099		0.0050		0.0045		0.0060		0.0072		0.0068
	0.1975		0.1975		0.1975		0.2800		0.2800		0.3400
	1.1055		0.9677		1.1248		1.1633		1.1800		1.1600
\$	1.9664	\$	1.6619	\$	1.8184	\$	1.9967	\$	2.2180	\$	2.3373

(This page intentionally left blank.)

City of Gonzales, Texas
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Property Tax Payer	2018			2009		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
BYK USA INC. / fka						
SOUTHERN CLAY	\$ 23,637,360	1	5.31%	\$ 13,149,560	1	4.75%
WAL-MART	13,466,420	2	3.03%	5,121,250	4	1.85%
GVEC	10,659,250	3	2.39%	4,041,480	7	1.46%
PURINA MILLS	7,262,350	4	1.63%	5,683,090	3	2.05%
HEB	6,699,110	5	1.51%	2,042,320	10	0.74%
ADAMS EXTRACT & SPICE	6,559,580	6	1.47%	3,857,370	9	1.39%
TYSON FOODS INC. A GUERRA	4,696,700	7	1.06%	5,693,420	2	2.05%
ENTERPRISES	4,566,360	8	1.03%	n/a	n/a	n/a
TOUCHSTONE REALTY- GONZALES LLC	3,785,650	9	0.85%	4,593,500	5	1.66%
KRISHNA GONZALES, LLC / fka HCNRC	3,216,160	10	0.72%	n/a	n/a	n/a
CINCO J INVESTMENTS INC	n/a	n/a	n/a	4,270,110	6	1.54%
NATIONAL DYNAMICS/CLEAVER- BROOKS	n/a	n/a	n/a	3,962,620	8	1.43%
Total	<u>\$ 84,548,940</u>		<u>19.00%</u>	<u>\$ 52,414,720</u>		<u>18.91%</u>

Source: Gonzales County Appraisal District

City of Gonzales, Texas
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Tax levy	\$ 730,035	\$ 745,439	\$ 744,712	\$ 752,134
Current tax collected	\$ 668,649	\$ 720,581	\$ 712,545	\$ 646,408
Percent of current tax collections	91.59%	96.67%	95.68%	85.9%
Delinquent tax collections	\$ 54,366	\$ 16,977	\$ 23,780	\$ 96,895
Total tax collections	\$ 723,015	\$ 737,558	\$ 736,325	\$ 743,303
Total collections as a percentage of levy	99.04%	98.94%	98.87%	98.8%

Source: Gonzales County Tax Assessor/Collector

2013		2014		2015		2016		2017		2018	
\$	753,110	\$	655,052	\$	651,382	\$	670,905	\$	733,685		1,145,051
\$	723,580	\$	635,200	\$	638,166	\$	649,366	\$	701,004		1,107,155
	96.1%		97.0%		98.0%		96.8%		95.5%		96.7%
\$	19,560	\$	12,034	\$	4,526	\$	11,947	\$	11,806		-
\$	743,140	\$	647,234	\$	642,692	\$	661,313	\$	712,810		1,107,155
	98.7%		98.8%		98.7%		98.6%		97.2%		96.7%

City of Gonzales, Texas

DIRECT AND OVERLAPPING SALES TAX RATES

Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City of Gonzales, Texas	1.00%	1.00%	1.00%	1.00%
City's Economic Development Rate	0.50%	0.50%	0.50%	0.50%
Gonzales County Rate	0.50%	0.50%	0.50%	0.50%
State of Texas	6.25%	6.25%	6.25%	6.25%
Total Direct and Overlapping Rates	<u>8.25%</u>	<u>8.25%</u>	<u>8.25%</u>	<u>8.25%</u>

Source: Texas Comptroller of Public Accounts

2013	2014	2014	2016	2017	2018
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
8.25%	8.25%	8.25%	8.25%	8.25%	8.25%

City of Gonzales, Texas

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities:				
Notes payable	\$ -	\$ -	\$ -	\$ 400,000
Tax and revenue certificates of obligation	-	-	-	-
Capital leases				
Business-type activities:				
Water revenue bonds	\$ -	\$ -	\$ -	\$ -
Tax and revenue certificates of obligation	-	-	-	6,255,000
Capital leases	110,718	85,462	58,655	30,202
Total primary government	<u>\$ 110,718</u>	<u>\$ 85,462</u>	<u>\$ 58,655</u>	<u>\$ 6,685,202</u>
Percentage of personal income (1)	0.05%	0.04%	0.02%	2.44%
Per capita (1)	\$ 15	\$ 12	\$ 8	\$ 868

(1) Personal income and population information for per capita are disclosed on page 126

2013	2014	2015	2016	2017	2018
\$ 400,000	\$ 400,000	\$ 400,000	\$ -	\$ -	\$ -
-	-	3,391,633	3,310,801	3,179,969	7,997,816
		999,183	839,487	676,258	507,993
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,075,000	5,830,000	5,766,609	5,500,632	6,997,012	1,693,539
-	-	-	-	-	-
<u>\$ 6,475,000</u>	<u>\$ 6,230,000</u>	<u>\$ 10,557,425</u>	<u>\$ 9,650,920</u>	<u>\$ 10,853,239</u>	<u>\$ 10,199,348</u>
2.59%	2.40%	4.07%	3.73%	3.76%	3.53%
\$ 887	\$ 841	\$ 1,425	\$ 1,279	\$ 1,417	\$ 1,337

City of Gonzales, Texas

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
NET TAXABLE ASSESSED VALUE				
All property	\$ 277,119,150	\$ 297,338,900	\$ 296,280,580	\$ 304,177,760
NET BONDED DEBT				
Gross bonded debt	-	-	-	6,255,000
Less debt service funds	-	-	-	-
Net Bonded Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,255,000</u>
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	-	-	-	2.1%
POPULATION	7,202	7,202	7,344	7,237
NET BONDED DEBT PER CAPITA	\$ -	\$ -	\$ -	\$ 864

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 328,162,100	\$ 354,226,920	\$ 402,670,150	\$ 420,839,220	\$ 416,001,700	\$ 445,101,080
6,075,000	5,830,000	8,755,000	8,811,433	10,176,981	9,691,355
-	-	-	-	-	-
<u>\$ 6,075,000</u>	<u>\$ 5,830,000</u>	<u>\$ 8,755,000</u>	<u>\$ 8,811,433</u>	<u>\$ 10,176,981</u>	<u>\$ 9,691,355</u>
1.9%	1.6%	2.2%	2.1%	2.4%	2.2%
7,302	7,410	7,410	7,544	7,660	7,628
\$ 832	\$ 787	\$ 1,182	\$ 1,168	\$ 1,329	\$ 1,270

(This page intentionally left blank.)

City of Gonzales, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Gonzales ISD	\$ 21,685,000	7.28%	\$ 1,578,668
Gonzales County	685,000	15.30%	104,805
Gonzales Healthcare Systems	1,325,000	8.79%	116,468
Subtotal, overlapping debt			1,799,941
City direct debt	\$ 8,505,809	100%	8,505,809
Total direct and overlapping debt			\$ 10,305,750

Source: Assessed value data used to estimate applicable percentages provided by the Gonzales County Appraisal District.

Debt outstanding data provided by each governmental unit.

City of Gonzales, Texas
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt limit	\$ 6,186,131	\$ 6,528,022	\$ 6,635,796	\$ 7,604,444
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<u>\$ 6,186,131</u>	<u>\$ 6,528,022</u>	<u>\$ 6,635,796</u>	<u>\$ 7,604,444</u>
Total net debt applicable to the limit as a percentage of debt limit	-	-	-	-

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed value	\$ 445,101,080
Debt Limit (a)	11,127,527
Debt Applicable to Limit:	
General Bonded Debt	-
Less: Amount Set Aside for Repayment of General Obligation Debt	<u>-</u>
Total Net Debt Applicable to Limit	<u>-</u>
Debt limit	<u><u>\$ 11,127,527</u></u>

Legal Debt Margin

(a) Texas Statutes do not impose a legal debt limit for cities;
however, statutes limit the maximum amount a city can levy
for all purposes to \$2.50 per \$100 of valuation

The debt limit is calculated as the remaining amount of
taxes that can be assessed prior to reaching the \$2.50 per
\$100 valuation threshold.

Source: Gonzales County Appraisal District

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 8,204,053	\$ 8,855,673	\$ 10,066,754	\$ 10,520,981	\$ 10,400,043	\$ 11,127,527
-	-	-	-	-	
<u>\$ 8,204,053</u>	<u>\$ 8,855,673</u>	<u>\$ 10,066,754</u>	<u>\$ 10,520,981</u>	<u>\$ 10,400,043</u>	<u>\$ 11,127,527</u>
-	-	-	-	-	-

City of Gonzales, Texas
PLEDGED REVENUE COVERAGE - UTILITY FUNDS
Last Ten Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Gross utility revenues (1)	\$ 11,941,347	\$ 11,989,914	\$ 11,877,281	\$ 13,021,670
Operating expenses (2)	\$ 10,276,389	\$ 9,905,128	\$ 9,180,450	\$ 9,700,545
Net revenues available for Debt Service	\$ 1,664,958	\$ 2,084,786	\$ 2,696,831	\$ 3,321,125
DEBT SERVICE REQUIREMENTS				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Coverage	-	-	-	-

(1) Total revenues excluding interest and grants

(2) Total operating expenses less depreciation

(3) Year presented is for the fiscal year ended March 31, 2013. The fiscal year-end was later changed to September 30.

(4) First full year after fiscal year-end change from March 31 to September 30.

<u>2013 (3)</u>	<u>2014 (4)</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 13,106,899	\$ 13,623,133	\$ 13,790,808	\$ 12,340,273	\$ 13,431,395	\$ 14,969,058
\$ 8,773,412	\$ 10,552,526	\$ 10,477,478	\$ 8,457,672	\$ 9,662,450	\$ 8,631,071
\$ 4,333,487	\$ 3,070,607	\$ 3,313,330	\$ 3,882,601	\$ 3,768,945	\$ 6,337,987
\$ 180,000	\$ 245,000	\$ -	\$ 250,000	\$ 283,230	\$ 558,265
168,159	188,057	1,822,222	177,173	130,730	299,669
<u>\$ 348,159</u>	<u>\$ 433,057</u>	<u>\$ 1,822,222</u>	<u>\$ 427,173</u>	<u>\$ 413,960</u>	<u>\$ 857,934</u>
12.45	7.09	1.82	9.09	9.10	7.39

City of Gonzales, Texas

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Population	7,202	7,202	7,344	7,237
Median household income	\$ 31,229	\$ 33,177	\$ 34,613	\$ 35,583
Personal income	\$ 224,911,258	\$ 238,940,754	\$ 254,197,872	\$ 257,514,171
Median age (1)	-	-	34.7	42.0
Unemployment %	5.8	6.1	6.1	5.2

Sources: Population is provided by the US Census Bureau, State Department of Planning.

Unemployment data is provided by the Texas Workforce Commission.

(1) The City does not track this information and only 2011-2015 were available from other sources.

(2) The City was unable to obtain this information for 2018, and used the previous year as a result.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
7,302	7,410	7,461	7,544	7,660	7,628
\$ 34,287	\$ 35,027	\$ 33,417	\$ 34,271	\$ 37,674	\$ 40,282
\$ 250,363,674	\$ 259,550,070	\$ 249,324,237	\$ 258,540,424	\$ 288,582,840	\$ 288,582,840 ²
35.0	34.7	38.0	37.3	34.8	35.1
4.8	2.8	3.1	3.1	3.2	3.0

(This page intentionally left blank.)

City of Gonzales, Texas

PRINCIPAL EMPLOYERS

Current Fiscal Year and Nine Years Ago

Employer	2018			2009 (1)		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Gonzales ISD	441	1	12.6%	-		-
GVEC	320	2	9.2%	-		-
Gonzales Healthcare System	275	3	7.9%	-		-
Kitchen Pride Mushrooms	200	4	5.7%	-		-
Adams Extract	188	5	5.4%	-		-
BYK USA, Inc.	165	6	4.7%	-		-
Gonzales County	150	7	4.3%	-		-
Cal-Maine Foods, Inc.	150	8	4.3%	-		-
Tyson Foods	128	9	3.7%	-		-
HEB	125	10	3.6%	-		-
Total	2,142		61.41%	-		-

Source: City Economic Development Division

(1) This information is not tracked by the City and is not available from other sources.

City of Gonzales, Texas

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

	2009	2010	2011	2012
Governmental funds:				
General government				
Management services	3	3	3	3
Finance	2	2	2	2
Mainstreet planning	1	1	1	1
Economic development	1	1	1	1
Tourism	-	-	-	-
Code enforcement	1	2	2	2
Building	-	-	-	-
Other	6	6	6	6
Parks, recreation, and culture	14	14	14	14
Police				
Officers	16	17	17	17
Civilians	7	6	7	7
Fire				
Firefighters and officers	7	7	7	9
Street	8	7	8	8
Library	3	3.5	3.5	3
Memorial building	1	1	1	1
Total governmental funds	70	71	73	74
Enterprise funds:				
Electric	6	6	6	7
Water	8	7.5	4	8
Wastewater	5	4.5	2	4
Solid waste	2	2	2	2
Total enterprise funds	21	20	14	21
Total	91	90.5	86.5	95

Source: City Finance Department

2013	2014	2015	2016	2017	2018
4	4	4	4	4	4
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	1	1
-	-	-	-	1	1
2	2	2	3	3	2
-	3	2	3	3	3
4	6	8	2	4	1
14	17	20	24	21	18
16	19	19	20	22	21
7	7	7	8	7	7
8	11	9	14	10	10
7	8	7	8	8	7
3	3	3	5	3	4
1	1	1	2	2	2
71	86	87	98	93	85
7	8	10	13	9	6
6	7	7	7	7	6
5	7	6	6	7	6
2	2	2	2	2	2
20	24	25	28	25	20
91	110	112	126	118	105

City of Gonzales, Texas

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/program	2009	2010	2011
General Government			
Building permits issued	122	94	112
Building inspections conducted	244	188	230
Police:			
Physical arrests	635	715	564
Parking violations	53	47	32
Traffic violations	2,311	3,071	4,284
Fire:			
Emergency responses	486	639	612
Fires extinguished	123	143	157
Inspections	54	52	48
Other Public Works;			
Street resurfacing (miles)	2	4	4
Potholes repaired	1,100	1,860	1,620
Library:			
Volumes in collection	31,594	32,086	32,698
Total volumes borrowed	114	114	114
Water:			
New connections	-	-	50
Average daily water usage (thousands of gallons)	2.02	2.25	1.87
Wastewater:			
Average daily sewer treatment (thousands of gallons)	0.70	0.74	1.06

Data source: Various City departments.

2012	2013	2014	2015	2016	2017	2018
235	324	885	269	181	366	538
425	1134	544	346	905	1830	2690
513	442	567	674	697	677	426
75	27	8	27	5	3	2
3,997	1,183	1,622	1,231	1,045	1,134	756
443	606	449	385	338	420	393
132	116	87	104	83	124	100
36	93	120	100	75	50	50
1.8	0.4	3.5	3.0	1.0	0.0	0.0
1,804	1,750	2,250	1,900	4,500	2,500	2,500
33,508	34,861	35,288	36,616	36,620	35,396	36,795
52,746	52,281	49,461	50,078	53,016	45,167	45,239
16	19	55	34	25	20	10
1.31	1.68	1.89	1.92	1.60	1.42	1.23
1.07	1.21	1.35	1.55	1.23	1.01	1.06

City of Gonzales, Texas

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/program	2009	2010	2011	2012
Police:				
Stations	1	1	1	1
Patrol units	14	14	13	14
Fire stations	1	1	1	1
Other public works:				
Streets (miles)	35	35	35	35
Streetlights	2	2	2	2
Parks and recreation:				
Acreage	550	550	550	550
Playgrounds	3	3	3	3
Baseball/softball feilds	7	7	7	7
Soccer/football fields	1	1	1	1
Water:				
Water mains (miles)	88	88	89	89
Fire hydrants	397	397	398	398
Storage capacity (thousands of gallons)	5,600	5,600	5,600	5,600
Wastewater				
Sanitary sewers (miles)	42	42	42	42
Storm sewers (miles)	36	36	36	36
Treatment capacity (thousands of gallons)	1,500	1,500	1,500	1,500

Data source: Various City departments.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1	1	1	1	1	1
15	15	15	18	18	14
1	1	1	1	1	1
35	35	35	35	35	35
2	2	2	2	2	2
550	550	675	675	675	675
3	3	3	3	3	3
7	7	7	7	7	7
1	1	7	7	7	7
89	89	89	89	90	90
398	398	398	398	400	438
5,600	5,600	5,600	5,600	5,200	5,200
42	42	42	42	42	42
36	36	36	36	36	36
1,500	1,500	1,500	1,500	2,250	2,250

(This page intentionally left blank.)