

City of Gainesville, Texas

Comprehensive Annual Financial Report

Fiscal Year Ending September 30, 2010



Solid Waste Automated Collection Equipment

Solid Waste Automated Collection System (Front Cover)

Prior to 2009 the residential solid waste collection program used a manual collection process. Trash collection was done twice per week using five full time City employees as well as seven temporary employees and three trucks. The annual cost for this service was \$427,318. The City investigated different methods of waste collection in early 2009 because the collection trucks were reaching the end of their life expectancies and needed to be replaced.

Once the investigation showed that a fully automated system was the most cost effective process for collecting waste, a pilot program was implemented for residential customers. The purpose of the pilot program was to see how residential customers dealt with collection only once per week instead of twice per week, the use of carts by customers instead of their own trash containers and how the City equipment maneuvered down residential tree-lined streets. The residents that participated in the pilot program completed a survey to convey their thoughts on the new program. Of those customers that completed the survey, the level of satisfied customers amounted to seventy-three percent (73%) ranging from satisfied to very satisfied with the program. A public meeting was then held to give customers further opportunity to express their thoughts and ideas about the automated collection system.

In March 2010, the Solid Waste Automated Collection System became a reality. Approximately 4,600 carts were delivered along with detailed information about the new system to each residence, two 24-yard fully automated trucks were purchased, and the City Solid Waste collection staff was reduced to three full time employees. The estimated operations cost per year for the new system is \$161,654 (a savings of \$265,665 or 62.2% per year). At this savings rate, the new equipment needed for this program will be paid for in 2.4 years. Citizens are pleased at how well the new automated system works and the neater appearance of their neighborhoods. The monthly collection fee was reduced by 5.6%, which also pleased the citizens.

The conversion to the fully automated collection system was a huge project that went very well and continues to be a source of pride for the City of Gainesville and its citizens.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Gainesville
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

City of Gainesville, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Prepared by
Finance Department

Fiscal Year Ended

September 30, 2010

City of Gainesville, Texas
 Comprehensive Annual Financial Report
 September 30, 2010

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Introductory Section



March 10, 2011

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

The Comprehensive Annual Financial Report of the City of Gainesville (the “City”) for the fiscal year ended September 30, 2010, *including the independent auditors’ report*, is hereby submitted as mandated by local ordinances and state statutes. These ordinances and statutes require that the City issue an annual report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation including all disclosures rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the operations of the City on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

GENERAL INFORMATION – CITY OF GAINESVILLE

The City is located in North Central Texas and was originally incorporated in 1873, with the first Charter adopted in 1909 and the latest revision made on August 10, 1996. The City currently has a land area of 20.7 square miles and, a 2010 population estimated at 17,000 by the Texas State Data Center. The City is a home rule city and operates under the Council-Manager form of government. The City is comprised of six (6) wards. Each alternating year voters of three wards elect their representatives and in odd numbered year, a citywide election is held for the Mayor’s position. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney and City Secretary.

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

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

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

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

LOCAL ECONOMIC CONDITIONS AND OUTLOOK

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

Unemployment in Gainesville has remained lower than both the state and national averages (6.2% vs. 7.9% and 9.2% respectively). The rebound from the oil and gas industry along with the diversification of the City's economy is the main reason for this

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

The following are significant program, infrastructure and business developments for fiscal year 2009-2010:

- The City completed a \$1 million runway improvement project at the Gainesville Municipal Airport. The Airport also started a \$500,000 taxiway upgrade at the airport. The Texas Department of Transportation funded 90% of the projects with grants.
- Despite a slowing economy, the City of Gainesville continues to move forward with new commercial construction that includes a new shopping center, a new movie theater and SES Holdings headquarters starting construction in fiscal year 2010.
- With funding from the Corps of Engineers and the issuance of General Obligation bonds, the City started construction on a \$12,000,000 project to improve the Pecan Creek drainage and relocate and replace a major sewer trunk line.
- The City issued \$4.88 million of Certificates of Obligation for the implementation of the city's Street and Utility Maintenance Program (SUMP). The bond was divided for streets, water utilities, wastewater utilities and drainage improvements.
- The City purchased water rights and storage capacity for 10,800 acre-feet of water from Lake Texoma at a cost of \$4.5 million. This amount of water equates to the City being able to pump approximately 11 million gallons per day and will provide for Gainesville's long-term water needs.
- The Texas Department of Transportation has started significant improvements to the Interstate 35 and US Highway 82 interchange. These improvements include the extension of frontage roads through the intersection, the elimination of cloverleaf ramps, installation of signalized intersections between US Highway 82 and the frontage roads, and the construction of continuous U-turns (Texas Turn-Arounds). These improvements will provide development opportunities for large, previously limited access parcels at the intersection and are expected to be completed in 2013.
- Orteq Technologies, manufacturer of specialty oil field equipment, purchased an existing property and are making capital improvements (buildings, machinery and equipment) to the land. This adds seventy new jobs and will increase ad valorem tax and sales tax.

FINANCIAL INFORMATION

Accounting Procedures and Budgetary Controls

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

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

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

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

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

Ad Valorem Tax

The City is empowered to levy an Ad Valorem Tax on both real and business personal property located within its boundaries. Current taxes of \$5,462,636 representing 102.6% of the tax levy, were collected during the fiscal year 2010. The levy is set based on the

Certified Tax Roll presented to the City by the Chief Tax Appraiser in July of each year. This is prior to settlement of any law suits which can take several months and can change the total assessed valuation. The tax levy is calculated at a 95% collection rate and the amount of collectible taxes changes.

Allocation of Ad Valorem Taxes

The revenue to be received from current tax collections is distributed between the General Fund and Debt Service Fund according to the ratio for allocation that is set when the budget is adopted. Allocation of ad valorem tax revenues by purpose for fiscal year 2010 and the preceding four years is reflected in the following table. The amounts in the table are per one hundred dollars of assessed value.

Purpose	2010	2009	2008	2007	2006
General	.4257	.3822	.3928	.36301	.38955
Debt Service	.2213	.2648	.2542	.28609	.28346
Total	.6470	.6470	.6470	.64910	.67300

For fiscal year 2010, the Total Assessed Taxable Value increased \$55,904,882 or 7.8%.

Long-term Financial Planning

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

The CIP for fiscal years 2011-2015 was approved by the City Council and is included in the fiscal year 2011 budget document. The CIP identifies the estimated costs of proposed future capital projects and the anticipated method of funding for each project. The total five-year program identified \$20,388,527 in improvements.

Financial Policies

In fiscal year 2009 the City Council passed a resolution setting goals of sixty (60) operating days reserve by 2012 and ninety (90) operating days reserve by 2014. In December 2010 an ordinance was passed by the City Council setting the reserves at sixty (60) days of budgeted expenditures starting with fiscal year 2012. Despite difficult economic times, the City was able to increase reserves and has budgeted in fiscal year 2011 to continue to increase reserves. Detailed financial policies are included as part of the City’s budget document and in city ordinances.

OTHER INFORMATION

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

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gainesville for Comprehensive Financial Report for the fiscal year ended September 30, 2009. This was the nineteenth (19) year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a municipality must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

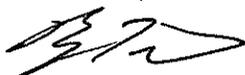
We believe that the City's current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition to the Certificate of Achievement, the City also received GFOA's Distinguished Budget Presentation Award for its fiscal year 2010 annual budget document. In order to qualify for the award, the City's budget document was judged to be proficient in several categories including policy documentation and as an operations guide. The 2010 budget document was the first to be submitted to GFOA for this award. The 2011 budget document has been submitted and we believe it meets the requirements to receive another award.

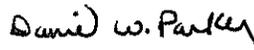
The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated efforts of the entire staff of the City's Finance Department. Each member of the Department is recognized for their tireless effort and contribution to the completion of this report.

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

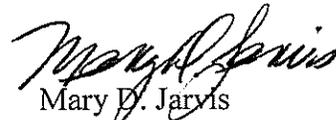
Sincerely,



Barry Sullivan
City Manager

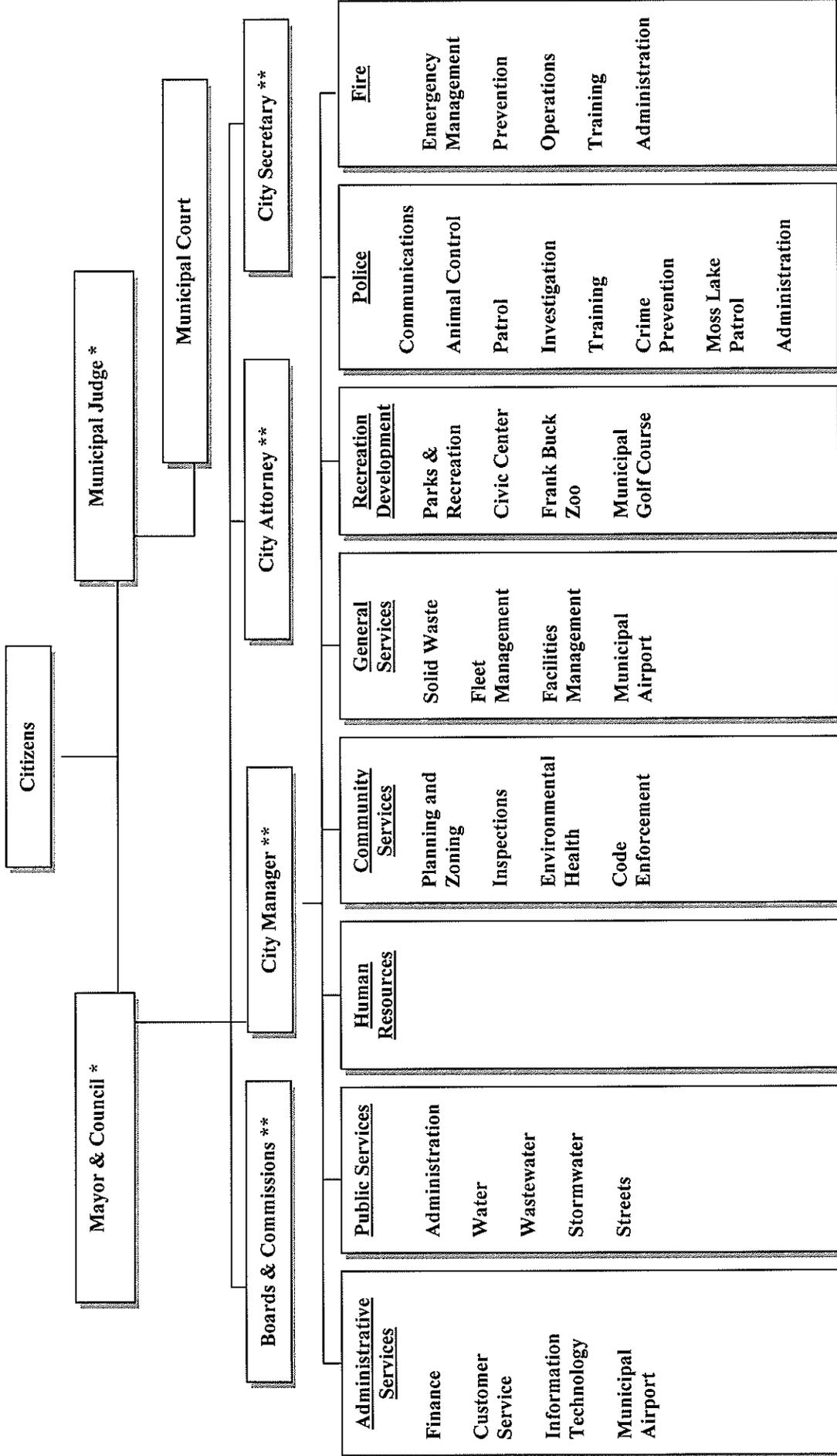


Daniel W. Parker
Finance Director



Mary D. Jarvis
Controller

City of Gainesville, Texas
Stewardship Chart



* Elected Positions
** Appointed By City Council

Boards & Commission

City Department

City Division

**Airport Board
Cemetery Advisory Board**

General Services

**Airport
Cemetery**

**Zoological Society
Parks & Recreation Board
Main Street Advisory Board
Keep Gainesville Beautiful Board
Golf Course Committee**

Recreation Development

**Frank Buck Zoo
Parks & Recreation
Main Street
Golf Course**

**Planning & Zoning Commission
Building & Standards
Electrical Board
Board of Code & Appeals
Zoning Appeals Boards**

Community Services

**Planning & Zoning
Inspections
Code Enforcement**

**City of Gainesville, Texas
September 30, 2010**

LIST OF PRINCIPAL OFFICIALS

Title	Name
Mayor *	Glenn Loch
Council Member & Mayor Pro Tem*	Jim Goldsworthy
Council Member*	Carolyn Hendricks
Council Member *	Philip Neelley
Council Member *	Ray Nichols
Council Member *	Vince Rippy
Council Member *	Beverly Snuggs
City Attorney**	Belvin Harris
Municipal Court Judge *	Chris Cypert
City Manager**	Barry L. Sullivan
City Secretary **	Kay Lunnon
Finance Director	Daniel W. Parker
Fire Chief	Steve Boone
Director of Human Resources	Leah Gore
Police Chief	Stephen Fleming
Director of Utilities	Ron Sellman
Airport Manager	Dave Vinton
Golf Professional	David Hersman

* Denotes Elected Official

** Denotes Appointed by City Council

Financial Section



INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Gainesville, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gainesville (City), Texas as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

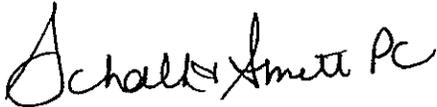
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2010, and the respective changes in financial position, cash flows where applicable and the respective budgetary comparison for the General Fund and the Debt Service Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 19 and 29 through 31 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 content. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-

133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

Schalk & Smith
February 7, 2011

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010

Management's Discussion and Analysis provides a narrative overview of the financial activities and changes in the financial position of the City of Gainesville, Texas, for the fiscal year ended September 30, 2010. The management of the City offers it here to the readers of its financial statements. Readers should use the information presented in conjunction with additional information furnished in our letter of transmittal.

Financial Highlights

- The assets of the City exceeded its liabilities at September 30, 2010, by \$17,786,283 (net assets). Of this amount, \$11,956,106 (unrestricted net assets) may be used to meet the City's ongoing obligations to the citizens and creditors.
- The City's total net assets increased by \$2,844,676 or 19.0%. This is mainly due to an increase in current assets, specifically in cash and bond proceeds receivable.
- At September 30, 2010, the City's governmental funds reported combined ending fund balances of \$9,034,267, an increase of \$2,606,363 in comparison with the 2009 total fund balances. The largest increase was the Reserve for Construction; a \$1,959,835 increase due to the issuance of Certificates of Obligation. There was a \$500,502 decrease in the fund balance for the Hotel/Motel Fund. The Hotel/Motel funds are restricted and can only be used to promote tourism and the arts. Funds were transferred out (\$717,101) to support the Frank Buck Zoo, the Civic Center and other tourist related activities. Included in the combined ending fund balances is \$5,138,067, which is available for spending at the government's discretion (unreserved fund balances).
- At September 30, 2010, the Unreserved Fund Balance for the General Fund was \$5,051,487, or 43.8% of total General Fund expenditures.
- At September 30, 2010, the Unreserved Fund Balance for the other remaining governmental funds was \$86,580.
- The City's total debt increased by approximately \$3,035,359 or 11.4% during the current fiscal year reflecting the issuance of \$4,880,000 in Certificates of Obligation and \$214,000 in Tax Notes less approximately \$2,096,840 in scheduled annual debt payments.

Overview of the Financial Statements

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

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

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010

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

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

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

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

Governmental activities – Most of the City's basic services are reported here, including general government, police and fire protection, planning for future land use, traffic control, building inspection, public health, park and recreational activities, street construction and maintenance, cemetery operations, and cultural events. Property tax, sales tax, and franchise fees provide the majority of the financing for these activities.

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

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

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

City of Gainesville, Texas
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spending. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains twenty individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Debt Service Fund and the 2010 Certificates of Obligation Fund which are considered to be major funds. Data for the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

Other Information. In addition to the basic financial statements and accompanying notes, the City of Gainesville adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund, as well as the other governmental funds, to demonstrate compliance with budget. The combining statements referred to earlier in

City of Gainesville, Texas
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connection with non-major governmental funds are presented immediately following the notes to financial statements.

Government-Wide Financial Analysis

Total assets of the City at September 30, 2010, were \$50,220,202, while total liabilities were \$32,433,919 resulting in a net asset balance of \$17,786,283. This is a 19.0% increase from the prior fiscal year and is mainly due to an increase in Current Assets, specifically cash and bond proceeds receivable. At the end of fiscal year 2010, net assets for the City of Gainesville had increased not only for the government as a whole, but also for its separate governmental and business-type activities.

A portion of the City's net assets, \$1,241,202 or 7.0%, represents resources that are subject to external restrictions on how they may be used. The restricted net assets have increased over the prior year by 2.7%. Investments in capital assets (land, buildings, machinery, and equipment) net of related debt total \$4,588,975 or 25.8%. This represents a decrease of \$1,783,562 or 28.0% compared to the prior year. The largest portion of the City's net assets, \$11,956,106 or 67.2%, reflects unrestricted net assets which may be used to meet the City's ongoing obligations to the citizens and creditors.

Net Assets

	Governmental Activities		Business Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$11,083,280	\$ 8,621,639	\$10,173,194	\$ 7,421,168	\$21,256,474	\$16,042,807
Capital assets	12,847,830	13,134,416	16,115,898	15,293,482	28,963,728	28,427,898
Total assets	23,931,110	21,756,055	26,289,092	22,714,650	50,220,202	44,470,705
Long-term liabilities outstanding	11,627,201	10,403,913	16,783,003	14,895,772	28,410,204	25,299,685
Other liabilities	1,941,889	2,279,604	2,081,826	1,949,809	4,023,715	4,229,413
Total liabilities	13,569,090	12,683,517	18,864,829	16,845,581	32,433,919	29,529,098
Net assets:						
Invested in capital assets, net of related debt	2,633,311	2,978,341	1,955,664	3,394,196	4,588,975	6,372,537
Restricted	1,241,202	1,208,887	-	-	1,241,202	1,208,887
Unrestricted	6,487,507	4,885,310	5,468,599	2,474,873	11,956,106	7,360,183
Total net assets	\$10,362,020	\$ 9,072,538	\$7,424,263	\$ 5,869,069	\$17,786,283	14,941,607

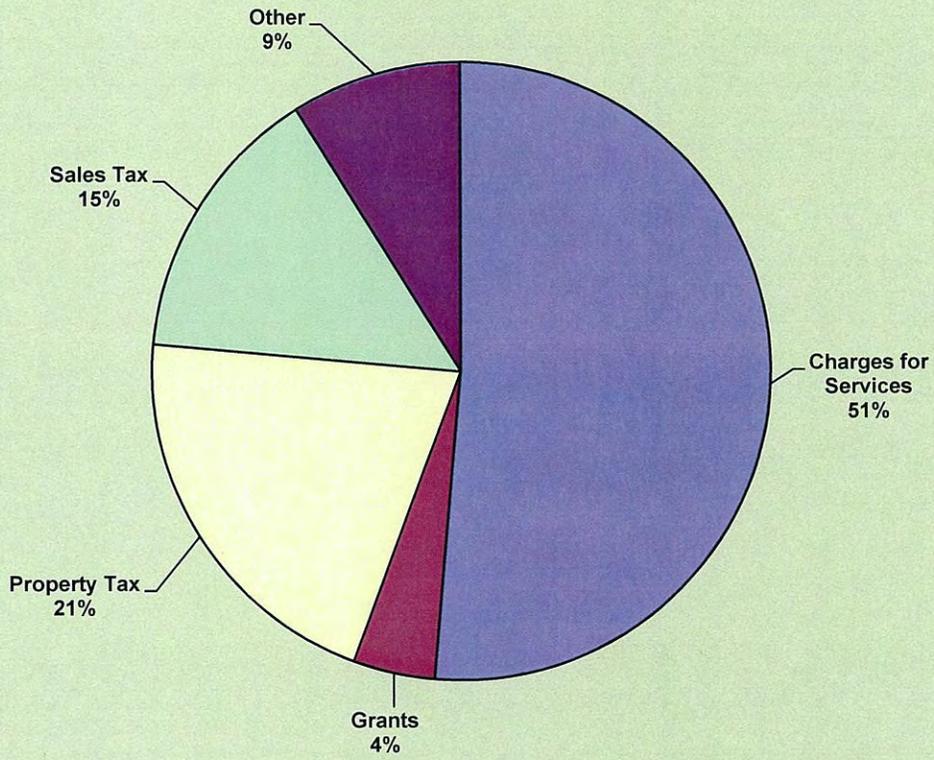
City of Gainesville, Texas
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Changes in Net Assets

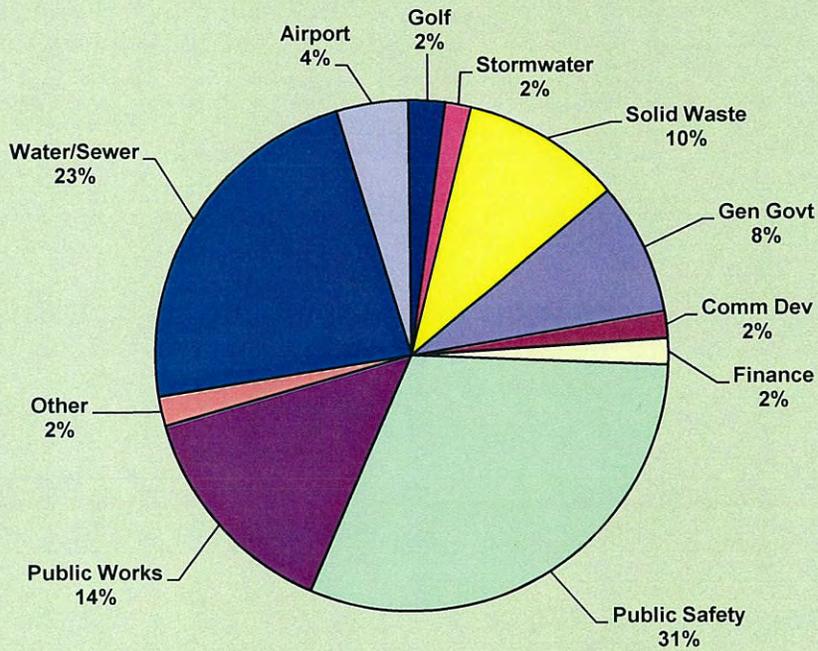
	Governmental Activities		Business Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Fines, fees, & charges for services	\$1,251,932	\$1,312,973	\$12,645,228	\$12,940,681	\$13,897,160	\$14,253,654
Operating grants & contributions	235,593	1,480,927	919,693	185,616	1,155,286	1,431,031
General revenues:						
Property taxes	5,626,157	5,254,558	-	-	5,626,157	5,254,558
Sales taxes	3,961,931	4,442,416	-	-	3,961,931	4,442,416
Other taxes & fees	1,697,810	1,822,054	-	-	1,697,810	1,822,054
Other misc.	688,930	592,747	20,143	123,585	709,073	716,332
Total revenues	13,462,353	14,905,675	13,585,064	13,249,882	27,047,417	28,155,557
Expenses:						
General Government	2,029,423	1,977,004	-	-	2,029,423	1,977,004
Community Development	410,999	354,000	-	-	410,999	354,000
Finance	401,758	399,885	-	-	401,758	399,885
Public safety	7,462,751	7,191,305	-	-	7,462,751	7,191,305
Public works	3,419,627	3,630,306	-	-	3,419,627	3,466,267
Interest on long term debt	450,764	530,804	-	-	450,764	530,804
Water & Sewer	-	-	5,539,750	5,525,366	5,539,750	5,525,366
Municipal Airport	-	-	1,097,044	1,072,340	1,097,044	1,072,340
Golf Course	-	-	550,564	582,525	550,564	582,525
Stormwater	-	-	393,324	442,089	393,324	442,089
Solid Waste	-	-	2,446,737	2,581,076	2,446,737	2,581,076
Total Expenses	14,175,322	14,083,304	10,027,419	10,203,396	24,202,741	24,286,700
Increase(decrease)in net assets before transfers	(712,969)	822,371	3,557,645	3,046,486	2,844,676	3,868,857
Transfers in(out)	2,002,451	1,979,229	(2,002,451)	(1,979,229)	-	-
Increase(decrease) in Net Assets	1,289,482	2,801,600	1,555,194	1,067,257	2,844,676	3,868,857
Net Assets 10/01	9,072,538	6,177,932	5,869,069	4,801,812	\$14,941,607	10,979,744
Adjustment	-	93,007	-	-	-	93,007
Net Assets 09/30	\$10,362,020	\$9,072,538	\$7,424,263	\$5,869,069	\$17,786,283	\$14,941,607

**City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010**

City Revenues 2010



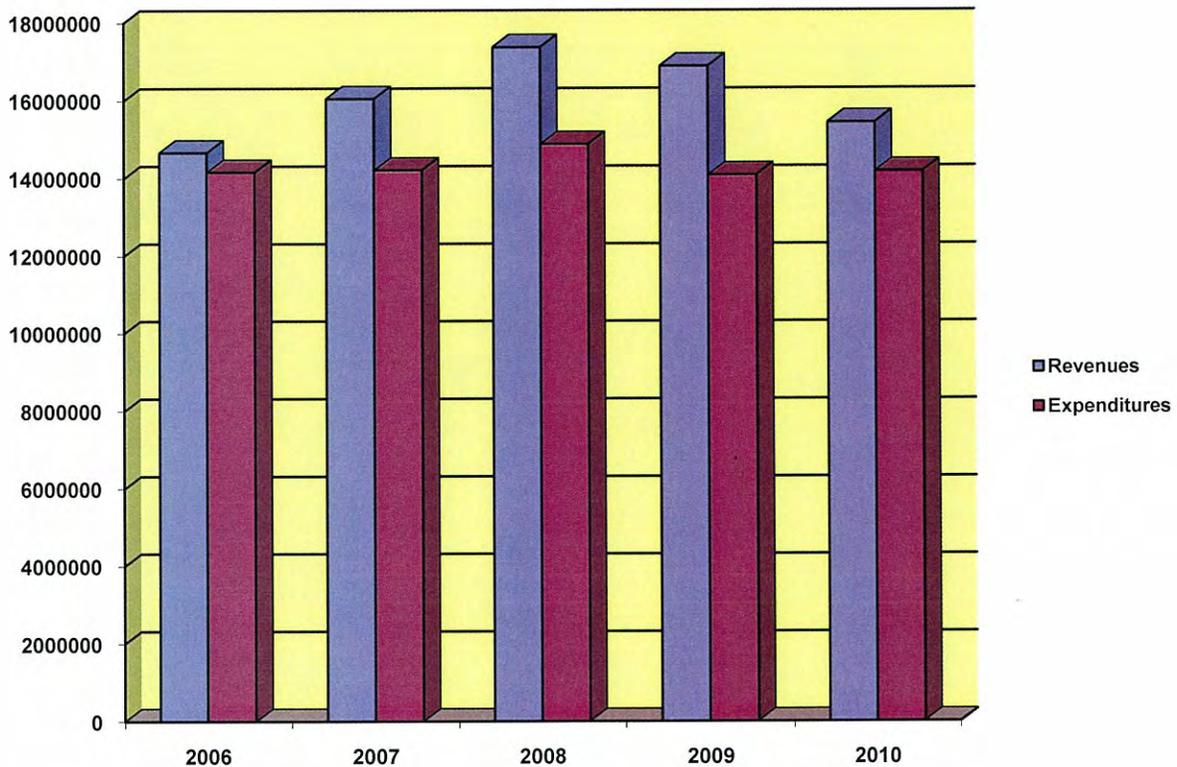
City Expenses 2010



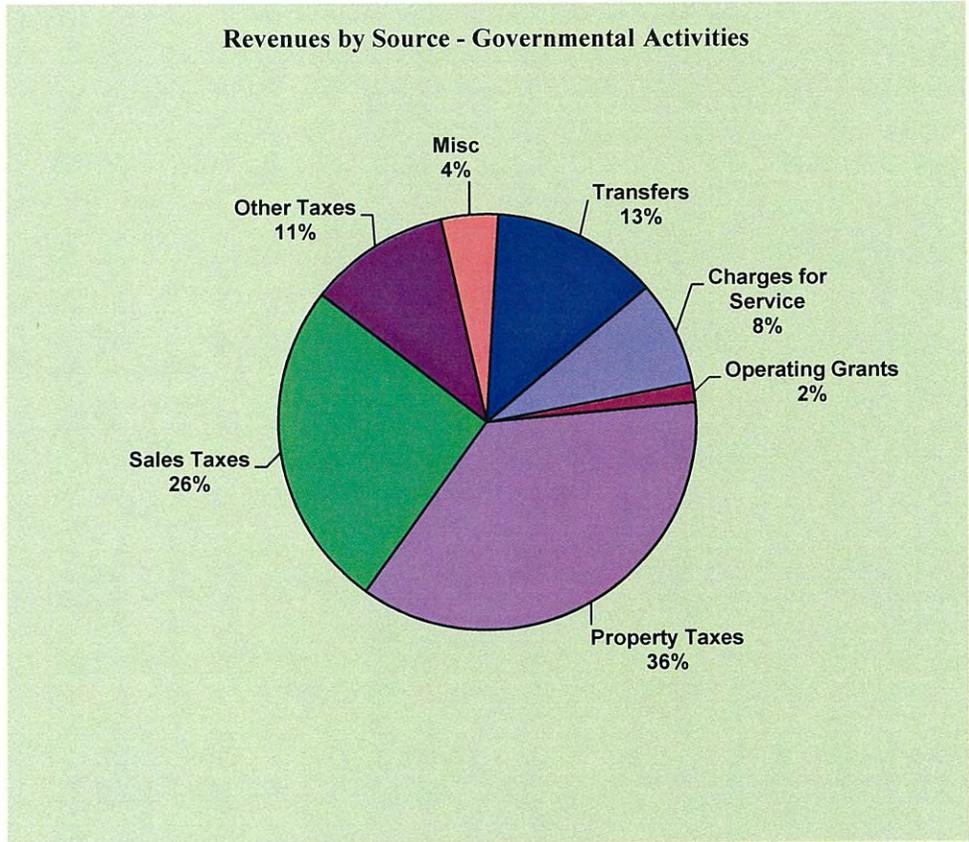
City of Gainesville, Texas
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Governmental Activities. Total revenues decreased \$1,420,100 or 8.47% compared to the prior year. The greatest decrease was in the Operating Grants and Contributions category, a decrease of 84.1%. In the prior fiscal year 2009, two large projects, the Justice Center Road and the Civic Center expansion, were paid for and given to the City by Cooke County and the Gainesville Economic Development Corporation. Sales tax decreased \$480,485 or 10.8%. Property Tax increased over 2009 by \$371,599 or 7.1%. Total expenses increased \$92,018 or 0.7% compared to the prior year. The Public Safety activity had the greatest increase at \$271,446 or 3.8%. Community Development also increased \$56,999 or 16.1%. The net assets of the Governmental Activities increased from the prior year \$1,289,482, or 14.2%. This increase is mainly due to the efforts by all departments to reduce their expenses.

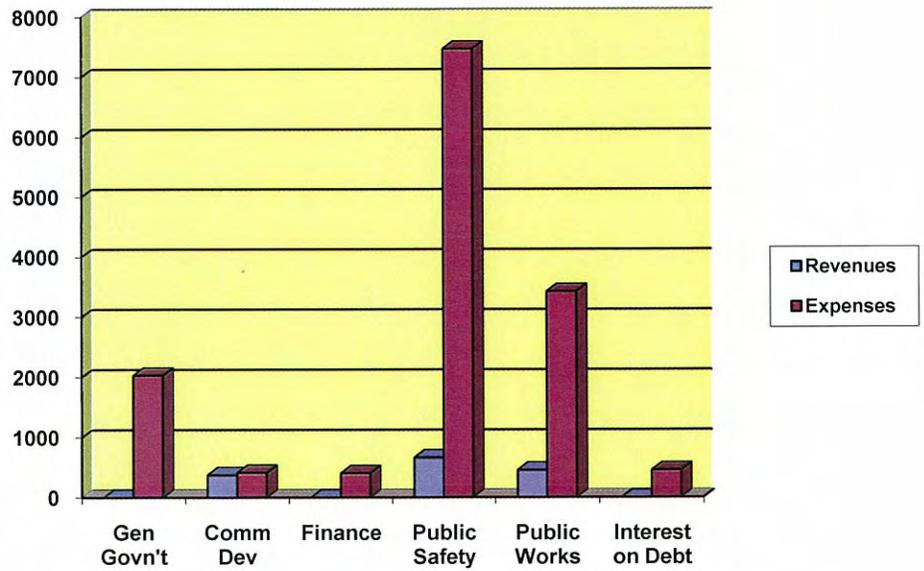
**Governmental Activity
Five Year History**



City of Gainesville, Texas
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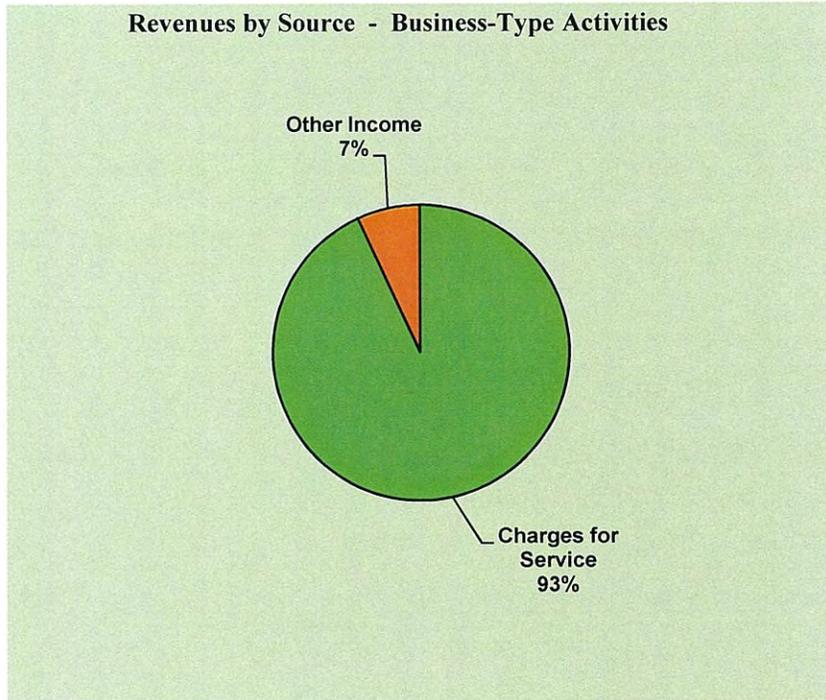
Expenses and Program Revenues
Governmental Activities
(In thousands)



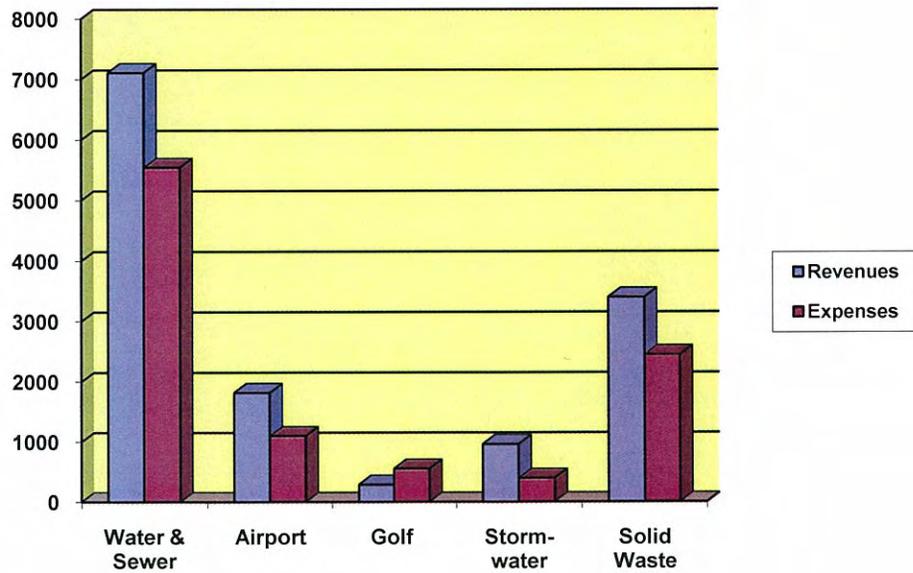
City of Gainesville, Texas
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Business-Type Activities. Total revenues increased \$335,182 or 2.5%. The increase was mainly in the Operating Grants and Contributions category and more specifically in the Airport Fund reflecting a large Airport improvement project grant. This category increased \$734,077 or 395.5%. The Fines, Fees and Charges for Services category decreased \$295,453 or 2.3%. The greatest decrease was in the Water and Sewer Fund which decreased \$164,869 or 2.3%. The Airport and Stormwater funds increased \$10,907 or 1.2% and \$2,122 or 0.2% respectively. Total expenses decreased in fiscal year 2010 by \$175,977 or 1.7%. The greatest decrease was in the Solid Waste Fund at \$134,339 or 5.2%. In fiscal year 2010 the Solid Waste Fund implemented an automated collection program that has resulted in the reduction of salaries, supplies (mainly fuel) and vehicle maintenance. The remaining funds had only slight increases or decreases for the year. All departments in the City made every effort to reduce expenses in anticipation of reduced revenues. The net assets of the business-type activities increased from the prior year \$1,555,194 or 26.5%.

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010



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



City of Gainesville, Texas
Management's Discussion and Analysis
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Financial Analysis of the Government's Funds Statements

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

As of the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$9,034,267 an increase from the prior year of \$2,606,363 or 40.5%. This increase is mainly due to the addition of the 2010 Certificates of Obligation Fund, with a fund balance of \$1,951,836. This is part of the \$4,880,000 Certificates of Obligation issue for the Street Utility Maintenance Program (S.U.M.P.) The General Fund had a fund balance increase of \$827,440 or 19.5%. Approximately 56.9%, or \$5,138,067 of the combined fund balances, constitutes the unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay for inventory and prepaid items \$628; permanent endowment \$1,253,345; construction \$1,959,835; and debt service \$682,392.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$5,051,487, an increase from the prior year of \$827,240 or 19.5%. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. The Unreserved Fund Balance represents 43.8% of total General Fund expenditures, and total fund balance represents 43.8% of total General Fund expenditures. The fund balance of the General Fund increased by \$827,440 or 19.6%, during the current fiscal year. The following are the key factors in this increase:

- Ad Valorem Taxes increased \$579,344 or 18.7%.
- Public Works expenditures were reduced \$170,349 or 7.9%.
- Increases in expenditures of the remaining departments were held to 2.1%.
- The transfers to Golf and Zoo Funds to subsidize their operations were reduced \$438,099 or 54%. Occupancy taxes from the Hotel/Motel Fund were used to supplement the transfers from the General Fund.

The Debt Service Fund has a fund balance of \$682,392. This fund balance increased during the year by \$186,417 or 37.6%. The Hotel/Motel Fund is used to account for hotel occupancy tax revenues and expenditures and shows an ending fund balance of \$193,201. This reflects a \$500,502 or 72.1% decrease. The revenues decreased \$116,359 or 20.1%. Expenditures increased \$58,470 or 31.1%. Transfers Out increased \$460,105 or 179.0%. The transfer to the Frank Buck Zoo Fund was increased in FY 2010 to assist in support of the Zoo. The Hotel/Motel Fund reserves, which are to be used towards tourism, were used for this transfer. This transfer replaced the budgeted transfer from the General Fund because of the decrease in General Fund revenues. The remaining governmental funds had an overall increase in fund balance of \$141,172 or 13.9%.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets for proprietary funds include the Water and Sewer Fund \$3,604,173; the Solid Waste Fund

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\$1,742,129; Stormwater Fund \$686,261; Golf Course Fund (\$535,899); and the Municipal Airport Fund (\$28,065). Total net assets in the Water and Sewer Fund increased \$432,659 or 16.8%. Operating revenues decreased \$155,047 or 2.1% while operating expenses increased \$37,276 or 0.7%. Total net assets in the Solid Waste Fund increased by \$44,497 or 9.6%. Operating revenues decreased \$94,990 or 2.7%. However, operating expenses decreased \$88,581 or 3.7%. Total net assets in the Stormwater Fund increased by \$346,415 or 64.6%. Operating revenues decreased \$2,862 or 0.3%. Operating expenses decreased \$11,279 or 6.0%. Total net assets in the Golf Course Fund increased \$12,396 or 2.8%. The operating revenues decreased \$60,263 or 17.4%. The operating expenses decreased \$23,078 or 4.1%. The total net assets in the Municipal Airport Fund increased by \$719,227. Operating revenues increased \$751,786 or 70.6%. A large part of this increase is a Texas Department of Transportation grant for approximately \$1,690,000 for Airport improvements. The operating expenses increased \$26,357 or 2.5%.

Business-type activities increased the City's net assets by \$1,555,194. All of the funds (five) categorized as business-type activities experienced an increase in net assets. The following are the key elements of this increase:

- The Solid Waste Fund increased Capital Assets, specifically machinery and equipment, by \$451,937 or 10.3%. Total liabilities only increased \$56,309.
- The Water and Sewer Fund had a \$2,630,000 in 2010 Certificates of Obligation proceeds accrued in Receivables. Cash also increased \$433,351. Total Liabilities increased \$2,030,513, which reflects the debt related to the 2010 Certificates of Obligation.
- The Stormwater Fund also increased Receivables by \$214,000 for the 2010 Certificates of Obligation proceeds. Total Liabilities decreased \$51,643.
- The Municipal Airport increased Total Capital Assets by \$792,682, mainly in Construction In Progress. This is a result of the Texas Department of Transportation grant to the City for Airport improvements. Liabilities decreased by \$21,986.
- The Golf Course current liabilities (accounts payable, interfund payables, and capital leases) decreased \$21,266 and revenue bonds payable in non-current liabilities decreased \$6,924.

General Fund Budgetary Highlights

The revenues in the original budget for FY 2010 were decreased in the final budget by \$690,694 or 6.7%. The actual revenue total at year-end was more than the final budget by \$561,113 or 5.8% and was \$129,581 or 1.3% less than the original budget. The actual revenue ending at more than the final budget is mainly due to \$242,717 in unbudgeted contributions from the Gainesville Economic Development Corporation for the Civic Center expansion project. Also, ad valorem tax and sales tax came in \$71,491 and \$149,978 respectively over the final budget.

The final budget for General fund total expenditures was decreased from the original budget by \$238,158 or 2.0%. Decreases were made in all departments of the General Fund with the exception of the Fire Department which actually increased budget by \$9,156. The actual total expenditures for fiscal year 2010 were \$254,003 or 2.2% under the original budget and \$15,845 or 0.1% under the final budget. Capital projects ended over the final budget by \$291,636 mainly due to the completion of the Civic Center expansion project contributed to the City by the Gainesville Economic Development Corporation. All departments finished the year under the original budget except the following: Main Street Operations over \$4,267 or 11.7%, Emergency

City of Gainesville, Texas
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Management over \$2,812 or 10.0% and Fire over \$14,384 or 0.5%. Most all departments finished the year under the final budget, except for a few that were over minor amounts. Transfers-out ended the year \$365,683 under the original budget. Because sales tax revenues were coming in less than budget, the transfer to the Frank Buck Zoo Fund was reduced. The Hotel/Motel Fund made up for this reduction by transferring an additional \$380,000 to the Zoo Fund.

The \$5,052,115 actual ending fund balance is \$583,379 greater than the final budgeted amount and \$527,677 greater than the original budgeted amount.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$28,963,728 (net of accumulated depreciation). The investment in capital assets includes land, buildings, equipment, improvements, and construction-in-progress. Governmental capital assets decreased \$286,586 or 2.2% compared to last fiscal year. Business-type capital assets increased \$822,416 or 5.4%. The City's total investment in capital assets increased for the current fiscal year \$2,794,162 or 2.1% before depreciation. After depreciation, the City's capital assets increased in 2010 \$535,830 or 1.9% compared to the prior fiscal year.

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

- In 2002, the citizens of Gainesville voted to approve a General Obligation bond issue of \$7,370,000 for improvements to the stormwater drainage system. At that time, \$1,945,000 in General Obligation bonds was issued for the first phase of the drainage improvements project. The project was started in 2003 and has continued through fiscal years 2004, 2005, 2006, 2007, 2008, 2009 and 2010. General Obligation Bonds Series 2008 in the amount of \$5,425,000 was issued for the second phase of the drainage and sewer trunk line improvements. This second phase of the project started in 2009 and will consist of rebuilding five (5) bridges, widening Pecan Creek, and enlarging the City's main sewer trunk line. Two of the bridges were completed in 2010. Approximately \$340,000 has been spent to purchase land for this project.
- Approximately \$1,690,000 in a state grant was awarded to the City for improvements to the Municipal Airport that include runway overlay, a retention pond, runway lighting, and other improvements.
- The City has continued the radio read meter project in fiscal year 2010. Approximately thirty-three percent (33%) of the city has the radio read meters at a cost of \$214,304 as of 2010.
- In March 2010 a study was completed for the implementation of the Street and Utility Maintenance Program (SUMP). Identified in this study were 401 individual street projects. Also included in this study were water, sewer and drainage utilities that might impact the streets. Certificates of Obligation for \$4,880,000 were issued in 2010 to pay for SUMP along with budgeted funds each fiscal year.
- Located in Gainesville is a Carnegie Library. In 2010, this building was restored at a cost of \$93,266. This project was funded out of the Hotel/Motel Fund.
- The City was awarded a grant through the Energy Efficiency and Conservation Block Grant to make several upgrades to City buildings. Of the \$57,576 in grant money awarded, approximately \$27,700 was spent in 2010 towards this program.

City of Gainesville, Texas
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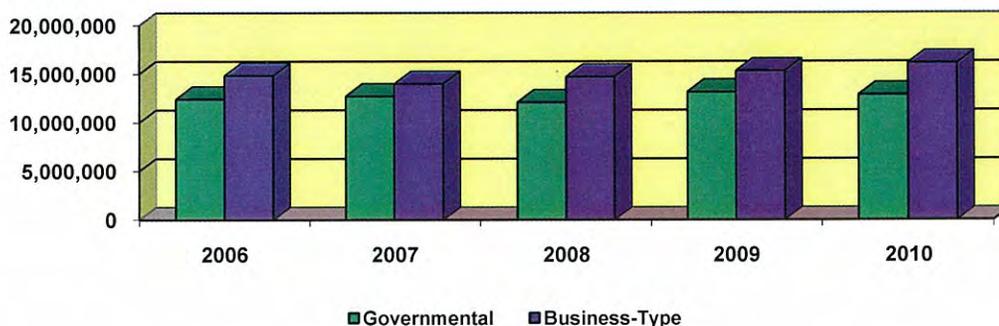
- In 2009 the Civic Center expansion adding 3,900 square feet was started. The new addition is for offices for the Gainesville Economic Development Corporation (GEDC) and the Gainesville Area Chamber of Commerce. While the GEDC paid for this expansion, the facility is the property of the City. This expansion was completed in 2010 and cost approximately \$704,479.
- With the help of a grant, the Gainesville Police added a K-9 unit to their department at a cost of \$28,608.
- Police and Fire added computer and communications technologies at a cost of \$197,614. Homeland Security funds assisted in the purchase of this equipment.
- Approximately \$117,475 was spent towards Keneteso Park improvements that include restrooms and a pavilion.
- A golf greens renovation project was completed in 2010 costing \$19,838.
- The City started a full-automation collection system for residential waste customers in 2010. This required the City to purchase special carts for each household and purchase trucks that are fully automated costing \$635,250.

Additional information on the City's capital assets can be found in note III D of this report.

City of Gainesville
Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	920,036	920,036	873,333	753,196	1,793,369	1,673,232
Buildings	9,398,952	8,679,693	2,306,753	2,306,753	11,705,705	10,986,446
Improvements	77,232,017	76,820,351	26,326,568	24,096,381	103,558,585	100,916,732
Machinery & equipment	7,640,134	7,555,619	7,700,604	7,047,973	15,340,738	14,603,592
Construction in progress	540,450	1,026,524	1,166,602	2,104,761	1,707,052	3,131,285
Less accumulated depreciation	(82,883,759)	(81,867,807)	(22,257,962)	(21,015,582)	(105,141,721)	(102,883,389)
Total	12,847,830	13,134,416	16,115,898	15,293,482	28,963,728	28,427,898

Capital Assets
Five Year History



Long-Term Debt. As of September 30, 2010, the City of Gainesville had total debt outstanding of \$29,728,677. Of this amount, \$12,194,044 is in the Governmental Funds and \$17,534,633 is in the Business-Type Funds. The City's debt increased by \$3,035,359 (11.4%) during the 2010

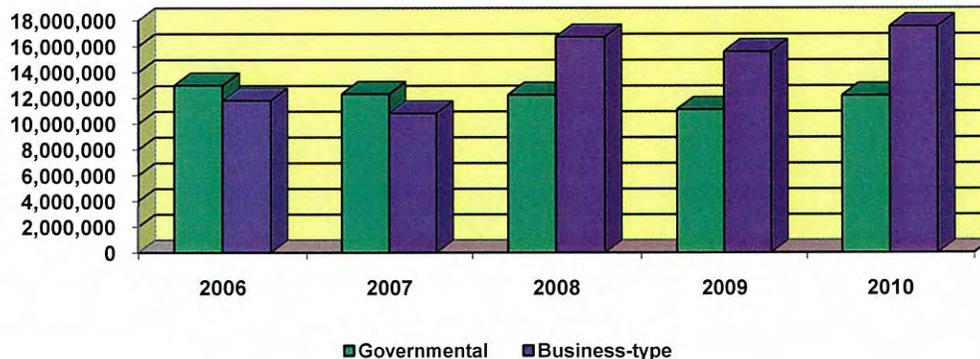
City of Gainesville, Texas
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fiscal year. The increase in outstanding debt reflects the issuance of the 2010 Certificates of Obligation and 2009 Tax Notes less the scheduled debt payments in February and August 2010.

City of Gainesville
Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$7,426,912	\$7,884,844	\$12,716,873	\$ 13,609,974	\$20,143,785	\$21,494,818
Certificates of obligation bonds	4,753,901	3,153,956	4,361,674	1,833,388	9,115,575	4,987,344
Capital leases	13,231	19,334	61,086	133,758	74,317	153,092
Tax Notes payable	-	58,065	395,000	-	395,000	58,065
Total	\$12,194,044	\$11,116,199	\$17,534,633	\$15,577,120	\$29,728,677	\$26,693,319

Outstanding Debt
Five Year History



In the summer of 2010, Moody's upgraded the City's bond ratings from "Baa" to "Baa1" after a surveillance review. Just prior to September 30, 2010, Moody's recalibrated the City's bond ratings from "Baa1" to "A1". Also, Standard & Poor's upgraded the City's bond ratings from "A" to "A+". The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt.

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

Economic Factors and Next Year's Budgets and Rates

The main focus for the City of Gainesville is to increase unreserved, undesignated fund balances. With the slowing of some revenues, mainly sales tax, the City has taken a closer look at all expenditures and has made several significant changes. The 2011 Budget eliminates seven (7) full-time positions, one part-time position, and reduces one full-time position to a part-time position. All but one of the full time positions were vacant and the part-time position was vacant. Also eliminated was the pay for performance program. The costs of operations were reduced, but with a strong focus on keeping core services intact.

City of Gainesville, Texas
Management's Discussion and Analysis
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Capital projects for 2011 total \$10,257,977 which is 6.2% more than the 2010 fiscal year. These projects for 2011 include the following which are funded with General Obligation and Certificates of Obligation bonds, a State and Tribal Assistance Grant (STAG), a Texas Department of Transportation grant and Texas Water Development Board Water Infrastructure funds:

- Pecan Creek channelization and bridge improvements at \$1,124,000
- Street Utility Maintenance Project (S.U.M.P.) at \$1,305,500
- New water treatment plant and northwest water distribution improvements at \$7,096,490
- Rebuild Airport taxiways at \$500,000

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

- Solid Waste Automated System
- Implemented a radio read system on water meters (33% completed)
- Computers installed in Fire Trucks
- Computer in Code Enforcement car
- Code Enforcement automated system to send notices and tickets for violations

In the fiscal year 2011 budget, General Fund revenues and transfers-in are budgeted to decrease by 4.9% from fiscal year 2010 actual amounts. It should be noted that included in the 2010 actual revenues is \$242,718 in contributions from the Gainesville Economic Development Corporation for the Civic Center expansion. Property Tax revenues are budgeted to decrease \$205,919 or 5.6% with property tax revenues making up 28.6% of the fiscal year 2011 budget. Certified property tax values for 2011 decreased 3.3% from the preceding year. The tax rate remained at 64.7 cents per \$100 of assessed valuation. Revenue from sales tax and other business fees make up 42.4% of the fiscal year 2011 budget, and are budgeted to increase 0.8% from fiscal year 2010 actual amounts. This increase is in business fees which are budgeted to increase \$189,728 or 15.3%. The transfers-in from the enterprise funds are budgeted to increase \$60,179 or 2.7% over the actual amounts for 2010 to pay for administrative services received from the General Fund. Expenditures and transfers-out in the General Fund for fiscal year 2011 are budgeted at a 0.7% increase over the actual expenditures and transfers-out for the previous fiscal year 2010.

Water and Sewer Fund operating revenues are budgeted to increase 5.9% in fiscal year 2011 over fiscal year 2010 actual figures. This projected increase over 2010 is calculated on an anticipated warmer dryer spring and summer. Water and Sewer rates remain the same. Fiscal year 2011 expenses and transfers-out are expected to decrease 2.5% from actual expenses and transfers-out for fiscal year 2010.

The fiscal year 2011 budgeted revenues for the Stormwater Drainage Utility Fund are projected to remain steady increasing slightly by 0.3%. Expenses are projected to increase 8.6% mainly in the maintenance area of operations.

The Municipal Airport Fund is projecting a decrease in budgeted revenues for fiscal year 2011 from the actual revenues for fiscal year 2010 by 20.4%. This decrease is mainly budgeted in

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010

Airport fuel sales. This calculation does not include grant funds received in 2010 totaling \$913,587. A 21.0% decrease in expenses for fiscal year 2011 is budgeted compared to actual expenses for fiscal year 2010. This decrease is mainly in Avgas/Jeta Fuel expense.

The Golf Course Fund revenues for fiscal year 2011 are budgeted to increase 3.7% from the actual revenues for fiscal year 2010. This increase is mainly in green fees and cart rentals. The budgeted expenses for fiscal year 2011 are 0.7% more than the actual fiscal year expenses for 2010.

The 2010 budgeted revenues in the Solid Waste Fund are 4.8% more than the 2010 actual revenues. This increase is projected in the commercial services revenues. Operating expenses and transfers-out are budgeted in 2011 to increase 2.6% over the 2010 actual expenses and transfers-out. These increases are mainly in debt service payments and landfill tipping fees.

The previous fiscal years have reflected the state and national economic down turn. However, with careful budgeting and aggressive reduction of expenditures the City of Gainesville has been able to stay on track with the goal of increasing cash reserves. The City's diversified economy, has allowed the City's unemployment rate to be lower than the state and national averages. Gainesville has developed from a petroleum based economy to an overall manufacturing base, with an ever increasing tourism industry. The City has agriculture, metal fabrication, airplane seat manufacturing, plastic molding, fiberglass fabrication, poly-pipe manufacturing, and the world's fifth largest casino five miles north of the City driving its economy.

Request for Information

This financial report is designed to provide a general overview of the City of Gainesville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Office of the Finance Director, 200 South Rusk, Gainesville, Texas 76240.

Basic Financial Statements

CITY OF GAINESVILLE, TEXAS

STATEMENT OF NET ASSETS

September 30, 2010

	PRIMARY GOVERNMENT			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash	\$ 6,872,789	\$ 2,311,159	\$ 9,183,948	\$ 1,123,327
Internal Balances	-	-	-	-
Receivables (Net of Allowances for Uncollectibles)				
Taxes	1,062,349	-	1,062,349	154,107
Service	-	1,212,080	1,212,080	-
Other	2,891,348	2,835,917	5,727,265	124,502
Inventories	628	152,334	152,962	-
Prepaid Expense	-	-	-	-
Total Current Assets	<u>10,827,114</u>	<u>6,511,490</u>	<u>17,338,604</u>	<u>1,401,936</u>
Noncurrent Assets:				
Restricted Assets				
Cash	-	3,351,961	3,351,961	-
Capital Assets				
Land	920,036	873,333	1,793,369	397,371
Buildings	9,398,952	2,306,753	11,705,705	1,975,114
Improvements	77,232,017	26,326,568	103,558,585	-
Machinery & Equipment	7,640,134	7,700,604	15,340,738	39,630
Construction in Progress	540,450	1,166,602	1,707,052	-
Less Accumulated Depreciation	(82,883,759)	(22,257,962)	(105,141,721)	(471,020)
Total Capital Assets	<u>12,847,830</u>	<u>16,115,898</u>	<u>28,963,728</u>	<u>1,941,095</u>
C.O. Issuance Costs, Net	256,166	309,743	565,909	-
Total Noncurrent Assets	<u>13,103,996</u>	<u>19,777,602</u>	<u>32,881,598</u>	<u>1,941,095</u>
TOTAL ASSETS	<u>\$ 23,931,110</u>	<u>\$ 26,289,092</u>	<u>\$ 50,220,202</u>	<u>\$ 3,343,031</u>
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Accounts Payable	\$ 1,097,881	\$ 701,895	\$ 1,799,776	\$ 26,192
Current Portion-Long Term Debt	844,008	1,379,931	2,223,939	-
Total Current Liabilities	<u>1,941,889</u>	<u>2,081,826</u>	<u>4,023,715</u>	<u>26,192</u>
Noncurrent Liabilities:				
Unearned Revenue	-	-	-	-
Accrued Compensated Absences	277,165	66,273	343,438	12,785
Postclosure Care Costs	-	562,028	562,028	-
Long-Term Debt	11,350,036	16,154,702	27,504,738	-
Total Noncurrent Liabilities	<u>11,627,201</u>	<u>16,783,003</u>	<u>28,410,204</u>	<u>12,785</u>
TOTAL LIABILITIES	<u>13,569,090</u>	<u>18,864,829</u>	<u>32,433,919</u>	<u>38,977</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	2,633,311	1,955,664	4,588,975	1,941,095
Nonexpendable				
Restricted for Permanent Endowment	1,241,202	-	1,241,202	-
Unrestricted	6,487,507	5,468,599	11,956,106	1,362,959
TOTAL NET ASSETS	<u>\$ 10,362,020</u>	<u>\$ 7,424,263</u>	<u>\$ 17,786,283</u>	<u>\$ 3,304,054</u>

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

CITY OF GAINESVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

FUNCTIONS/ACTIVITY	EXPENSES	PROGRAM REVENUES	
		FINES, FEES, AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Primary Government:			
Governmental Activities			
General Government	\$ 2,029,423	\$ -	\$ -
Community Development	410,999	372,813	-
Finance	401,758	-	-
Public Safety	7,462,751	425,670	235,593
Public Works	3,419,627	453,449	-
Interest on Long-Term Debt	450,764	-	-
Total Governmental Activities	<u>14,175,322</u>	<u>1,251,932</u>	<u>235,593</u>
Business-Type Activities			
Water and Sewer	5,539,750	7,106,996	-
Municipal Airport	1,097,044	896,501	919,693
Golf Course	550,564	285,532	-
Stormwater	393,324	960,287	-
Solid Waste	2,446,737	3,395,912	-
Total Business-Type Activities	<u>10,027,419</u>	<u>12,645,228</u>	<u>919,693</u>
Total Primary Government	<u>\$ 24,202,741</u>	<u>\$ 13,897,160</u>	<u>\$ 1,155,286</u>
Component Unit:			
Gainesville Economic Development Corp.	\$ 889,968	\$ 279,739	\$ -

General Revenues:

Taxes

Property Taxes

Sales Taxes

Other Taxes

Investment Income

Gain (Loss) on Disposal of Assets

Miscellaneous

Transfers In (Out) between Governmental and Business-Type Activities

Total General Revenues and Transfers

Change in Net Assets

Net Assets-Beginning of Year

Net Assets-End of Year

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

**NET (EXPENSE) REVENUES AND
CHANGES IN NET ASSETS
PRIMARY GOVERNMENT**

GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
\$ (2,029,423)	\$ -	\$ (2,029,423)	\$ -
(38,186)	-	(38,186)	-
(401,758)	-	(401,758)	-
(6,801,488)	-	(6,801,488)	-
(2,966,178)	-	(2,966,178)	-
(450,764)	-	(450,764)	-
<u>(12,687,797)</u>	<u>-</u>	<u>(12,687,797)</u>	<u>-</u>
-	1,567,246	1,567,246	-
-	719,150	719,150	-
-	(265,032)	(265,032)	-
-	566,963	566,963	-
-	949,175	949,175	-
<u>-</u>	<u>3,537,502</u>	<u>3,537,502</u>	<u>-</u>
<u>\$ (12,687,797)</u>	<u>\$ 3,537,502</u>	<u>\$ (9,150,295)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (610,229)</u>
\$ 5,626,157	\$ -	\$ 5,626,157	\$ -
3,961,931	-	3,961,931	801,423
1,697,810	-	1,697,810	-
31,581	11,181	42,762	4,957
-	8,962	8,962	-
657,349	-	657,349	-
<u>2,002,451</u>	<u>(2,002,451)</u>	<u>-</u>	<u>-</u>
<u>\$ 13,977,279</u>	<u>\$ (1,982,308)</u>	<u>11,994,971</u>	<u>\$ 806,380</u>
1,289,482	1,555,194	2,844,676	196,151
<u>9,072,538</u>	<u>5,869,069</u>	<u>14,941,607</u>	<u>3,107,903</u>
<u>\$ 10,362,020</u>	<u>\$ 7,424,263</u>	<u>\$ 17,786,283</u>	<u>\$ 3,304,054</u>

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

CITY OF GAINESVILLE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	MAJOR FUNDS		
	GENERAL FUND	DEBT SERVICE FUND	2010 CERTIFICATES OF OBLIGATION
ASSETS:			
Cash	\$ 4,434,895	\$ 686,982	\$ 311
Restricted Cash	-	-	-
Receivables (Net of Allowances for Uncollectibles)			
Taxes	523,305	83,602	-
Other	860,483	7,166	1,979,525
Inventory	628	-	-
Due from Component Unit	-	-	-
Interfund Receivable	349,000	-	-
TOTAL ASSETS	\$ 6,168,311	\$ 777,750	\$ 1,979,836
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts Payable	\$ 607,784	\$ 11,756	\$ -
Interfund Payable	-	-	28,000
Deferred Revenue	508,412	83,602	-
TOTAL LIABILITIES	1,116,196	95,358	28,000
FUND BALANCES:			
RESERVED FOR			
Reserved for Inventories	628	-	-
Reserved for Construction	-	-	1,951,836
Reserved for Debt Service	-	682,392	-
Reserved for Permanent Endowment	-	-	-
UNRESERVED			
Reported in General Fund	5,051,487	-	-
Reported in Special Revenue Funds	-	-	-
Reported in Nonmajor Funds			
Special Revenue Funds	-	-	-
Capital Project Fund	-	-	-
TOTAL FUND BALANCES	5,052,115	682,392	1,951,836
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,168,311	\$ 777,750	\$ 1,979,836

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

OTHER GOVERNMENTAL FUNDS	TOTAL
\$ 1,750,601	\$ 6,872,789
-	-
-	606,907
44,174	2,891,348
-	628
-	-
-	349,000
\$ 1,794,775	\$ 10,720,672
\$ 125,851	\$ 745,391
321,000	349,000
-	592,014
446,851	1,686,405
-	628
7,999	1,959,835
-	682,392
1,253,345	1,253,345
-	5,051,487
-	-
86,580	86,580
-	-
1,347,924	9,034,267
\$ 1,794,775	\$ 10,720,672

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

CITY OF GAINESVILLE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
September 30, 2010

Total Fund Balance - Total Governmental Funds	\$ 9,034,267
Amounts reported for governmental activities in the statement of net assets are different because of the following:	
Taxes and municipal court fines are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	1,047,456
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet; net of accumulated depreciation of \$82,883,759.	12,847,830
Interest payable on long-term debt does not require current financial resources therefore, interest payable is not reported as a liability on the governmental funds balance sheet.	(62,490)
Certificates of obligation and bonds payable are not reported as liabilities in the governmental fund balance sheet. This amount represents total noncurrent liabilities related to governmental activities.	(12,734,397)
Costs associated with long term debt are not reported in the governmental funds balance sheets.	
Bond Issuance Costs	256,166
Deferred Loss on Early Extinguishment of Debt	555,367
Premium on Bonds	(15,014)
Compensated absences are not reported as liabilities in the governmental fund balance sheet.	(567,165)
Net Assets of Governmental Activities	<u>\$ 10,362,020</u>

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

CITY OF GAINESVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	MAJOR FUNDS		
	GENERAL	DEBT SERVICE FUND	2010 CERTIFICATES OF OBLIGATION
REVENUES:			
Taxes			
Ad Valorem Taxes	\$ 3,673,586	\$ 1,924,637	\$ -
Sales Taxes	3,854,804	-	-
Other Local Fees	1,236,401	-	-
Service Charges	220,736	-	-
License & Permits	140,046	-	-
Fines & Forfeitures	439,557	-	-
Investment Income	10,383	1,725	-
Intergovernmental Revenues	189,758	-	-
Other Income	462,229	10,080	-
TOTAL REVENUES	<u>10,227,500</u>	<u>1,936,442</u>	<u>-</u>
EXPENDITURES:			
Current			
General Government	1,239,967	78,917	-
Community Development	366,368	-	-
Finance	402,465	-	-
Public Safety	7,035,427	-	-
Public Works	1,994,176	-	4,880
Non Departmental	-	-	-
Debt Service			
Principal	-	978,483	-
Interest	-	463,946	-
Bond Issuance Costs	-	-	-
Capital Outlay	503,171	-	22,809
TOTAL EXPENDITURES	<u>11,541,574</u>	<u>1,521,346</u>	<u>27,689</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,314,074)</u>	<u>415,096</u>	<u>(27,689)</u>
OTHER FINANCING SOURCES (USES):			
Issuance of Debt	-	-	1,979,525
Funds Transferred In	2,514,896	-	-
Funds Transferred Out	(373,382)	(228,679)	-
TOTAL OTHER FINANCING SOURCES (USES):	<u>2,141,514</u>	<u>(228,679)</u>	<u>1,979,525</u>
NET CHANGE IN FUND BALANCES	827,440	186,417	1,951,836
FUND BALANCE - October 1	4,224,675	495,975	-
FUND BALANCE - September 30	<u>\$ 5,052,115</u>	<u>\$ 682,392</u>	<u>\$ 1,951,836</u>

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

OTHER GOVERNMENTAL FUNDS	TOTAL
\$ -	\$ 5,598,223
-	3,854,804
461,409	1,697,810
465,480	686,216
-	140,046
25,071	464,628
19,474	31,582
119,857	309,615
185,039	657,348
<u>1,276,330</u>	<u>13,440,272</u>
277,791	1,596,675
-	366,368
-	402,465
109,394	7,144,821
946,209	2,945,265
-	-
-	978,483
-	463,946
-	-
391,882	917,862
<u>1,725,276</u>	<u>14,815,885</u>
<u>(448,946)</u>	<u>(1,375,613)</u>
-	1,979,525
823,798	3,338,694
<u>(734,182)</u>	<u>(1,336,243)</u>
<u>89,616</u>	<u>3,981,976</u>
(359,330)	2,606,363
1,707,254	6,427,904
<u>\$ 1,347,924</u>	<u>\$ 9,034,267</u>

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

CITY OF GAINESVILLE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$ 2,606,363

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

Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the government-wide statement of net assets in the current period. 917,862

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

Bond issuance cost	(16,285)
Amortization of Loss on Early Extinguishment of Debt	(36,612)
Amortization of Bond Premium	3,049

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. (1,204,448)

Compensated absences are accrued on the government-wide statement of net assets but do not require the use of current financial resources. The current period change in compensated absences is reported in the government-wide statement of activities and changes in net assets. The current period net increase in compensated absences is not reported as expenditures in governmental funds. (14,668)

Accrued interest expense on long-term debt is reported in the government-wide financial statements but not governmental funds as it does not require the use of current financial resources; therefore, this is the current period change in accrued interest expense. 13,183

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This is the amount by which debt proceeds of \$1,979,525 exceeds repayments of principal of \$978,483. (1,001,042)

Taxes & municipal court fines in the statement of activities do not provide current financial resources therefore, these are not reported as revenues in governmental funds. 22,080

Change in Net Assets of Governmental Activities \$ 1,289,482

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

CITY OF GAINESVILLE, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010

REVENUES:	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Ad Valorem Taxes	\$ 3,545,699	\$ 3,602,095	\$ 3,673,586	\$ 71,491
Sales Taxes	4,525,000	3,704,826	3,854,804	149,978
Other Local Fees	1,363,586	1,392,834	1,236,401	(156,433)
Service Charges	180,500	196,000	220,736	24,736
License & Permits	129,550	124,050	140,046	15,996
Fines & Forfeitures	473,380	473,380	439,557	(33,823)
Investment Income	24,000	7,000	10,383	3,383
Intergovernmental Revenues	-	-	189,758	189,758
Other Income	115,366	166,202	462,229	296,027
TOTAL REVENUES	10,357,081	9,666,387	10,227,500	561,113
EXPENDITURES:				
Current				
General Government				
Administration	409,472	397,514	394,576	2,938
Legal Services	60,976	56,991	58,330	(1,339)
Human Resources	142,251	141,240	138,935	2,305
Main Street Operations	36,422	36,080	40,689	(4,609)
Building Operations	117,989	117,613	108,842	8,771
Public Assistance Programs	41,575	37,575	37,575	-
Municipal Court	302,099	301,534	299,392	2,142
Civic Center Operations	178,511	175,095	161,628	13,467
Total General Government	1,289,295	1,263,642	1,239,967	23,675
Community Development				
Planning and Zoning	135,196	128,023	113,091	14,932
Inspections	225,020	215,159	207,042	8,117
Environmental Health	54,016	52,091	46,235	5,856
Total Community Development	414,232	395,273	366,368	28,905
Finance				
	405,271	394,018	402,465	(8,447)
Public Safety				
Police	4,086,752	4,050,313	3,896,316	153,997
Emergency Management	28,207	28,182	31,019	(2,837)
Fire	3,093,708	3,102,864	3,108,092	(5,228)
Total Public Safety	7,208,667	7,181,359	7,035,427	145,932
Public Works				
Administration	67,466	64,154	62,068	2,086
Street Maintenance	993,594	920,758	856,832	63,926
Central Garage	202,895	187,787	181,596	6,191
Parks and Recreation Operations	741,968	680,986	646,250	34,736
Cemetery Operations	267,055	257,907	247,430	10,477
Total Public Works	2,272,978	2,111,592	1,994,176	117,416

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

CITY OF GAINESVILLE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(Continued)

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
Non Departmental	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	205,134	211,535	503,171	(291,636)
TOTAL EXPENDITURES	<u>11,795,577</u>	<u>11,557,419</u>	<u>11,541,574</u>	<u>15,845</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,438,496)</u>	<u>(1,891,032)</u>	<u>(1,314,074)</u>	<u>576,958</u>
OTHER FINANCING SOURCES (USES):				
Issuance of Debt	-	-	-	-
Funds Transferred In	2,477,324	2,508,475	2,514,896	6,421
Funds Transferred Out	<u>(739,065)</u>	<u>(373,382)</u>	<u>(373,382)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,738,259</u>	<u>2,135,093</u>	<u>2,141,514</u>	<u>6,421</u>
NET CHANGE IN FUND BALANCES	299,763	244,061	827,440	583,379
FUND BALANCE - October 1	4,224,675	4,224,675	4,224,675	-
FUND BALANCE - September 30	<u>\$ 4,524,438</u>	<u>\$ 4,468,736</u>	<u>\$ 5,052,115</u>	<u>\$ 583,379</u>

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

CITY OF GAINESVILLE, TEXAS
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Ad Valorem Taxes	\$ 1,908,321	\$ 1,952,731	\$ 1,924,637	\$ (28,094)
Investment Income	15,500	1,580	1,725	145
Other Income	12,000	8,640	10,080	1,440
TOTAL REVENUES	<u>1,935,821</u>	<u>1,962,951</u>	<u>1,936,442</u>	<u>(26,509)</u>
EXPENDITURES				
Current:				
General Government	49,500	63,525	78,917	(15,392)
Debt Service				
Principal Retirement	978,483	978,483	978,483	-
Interest and Fiscal Charges	587,508	582,004	463,946	118,058
TOTAL EXPENDITURES	<u>1,615,491</u>	<u>1,624,012</u>	<u>1,521,346</u>	<u>102,666</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>320,330</u>	<u>338,939</u>	<u>415,096</u>	<u>76,157</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	(220,331)	(220,331)	(228,679)	8,348
TOTAL OTHER FINANCING SOURCES (USES)	<u>(220,331)</u>	<u>(220,331)</u>	<u>(228,679)</u>	<u>8,348</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	99,999	118,608	186,417	84,505
FUND BALANCE - October 1	<u>495,975</u>	<u>495,975</u>	<u>495,975</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 595,974</u>	<u>\$ 614,583</u>	<u>\$ 682,392</u>	<u>\$ 84,505</u>

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

CITY OF GAINESVILLE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2010

	<u>WATER & SEWER</u>	<u>MUNICIPAL AIRPORT</u>	<u>SOLID WASTE</u>
ASSETS			
Current Assets:			
Cash	\$ 433,553	\$ 461	\$ 1,536,445
Receivables (Net of Allowances for Uncollectibles)			
Service	712,884	35,318	369,326
Other	2,571,527	55,652	-
Inventory	152,334	-	-
Interfund Receivables	-	-	625,000
Total Current Assets	<u>3,870,298</u>	<u>91,431</u>	<u>2,530,771</u>
Noncurrent Assets:			
Restricted Assets:			
Cash	1,689,890	533	34,165
Interfund Receivables	-	-	-
Capital Assets:			
Land	76,566	100,000	-
Buildings	527,933	800,161	916,951
Machinery & Equipment	2,243,220	238,025	4,852,578
Construction in Progress	-	1,166,602	-
Water & Sewer System	18,788,964	-	-
Golf Course Improvements	-	-	-
Stormwater Improvements	-	-	-
Airport Improvements	-	3,910,975	-
Less: Accumulated Depreciation	<u>(15,351,288)</u>	<u>(2,342,171)</u>	<u>(3,727,375)</u>
Total Capital Assets	<u>6,285,395</u>	<u>3,873,592</u>	<u>2,042,154</u>
Issuance Costs (Net)	<u>141,639</u>	<u>5,229</u>	<u>71,466</u>
Total Noncurrent Assets	<u>8,116,924</u>	<u>3,879,354</u>	<u>2,147,785</u>
TOTAL ASSETS	<u>\$ 11,987,222</u>	<u>\$ 3,970,785</u>	<u>\$ 4,678,556</u>
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Accounts Payable	\$ 375,442	\$ 10,517	\$ 252,138
Interfund Payables	-	114,000	-
Capital Leases Payable-Current Portion	47,500	-	-
Revenue Bonds Payable-Current Portion	599,135	45,098	412,399
Total Current Liabilities	<u>1,022,077</u>	<u>169,615</u>	<u>664,537</u>
Noncurrent Liabilities:			
Unearned Revenue	-	-	-
Accrued Compensated Absences	32,322	741	22,971
Postclosure Care Costs Payable	-	-	562,028
Capital Leases Payable	13,585	-	-
Revenue Bonds Payable	7,910,225	339,295	2,919,022
Total Noncurrent Liabilities	<u>7,956,132</u>	<u>340,036</u>	<u>3,504,021</u>
TOTAL LIABILITIES	<u>8,978,209</u>	<u>509,651</u>	<u>4,168,558</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(595,160)	3,489,199	(1,232,131)
Restricted:			
Debt Service	-	-	-
Unrestricted	3,604,173	(28,065)	1,742,129
TOTAL NET ASSETS	<u>\$ 3,009,013</u>	<u>\$ 3,461,134</u>	<u>\$ 509,998</u>

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

<u>STORMWATER</u>	<u>OTHER ENTERPRISE FUNDS</u>		<u>TOTAL</u>
	<u>GOLF FUND</u>		
\$ 340,301	\$ 399		\$ 2,311,159
94,552	-		1,212,080
208,080	658		2,835,917
-	-		152,334
-	-		625,000
<u>642,933</u>	<u>1,057</u>		<u>7,136,490</u>
1,627,373	-		3,351,961
-	-		-
696,767	-		873,333
-	61,708		2,306,753
228,006	138,775		7,700,604
-	-		1,166,602
-	-		18,788,964
-	440,499		440,499
3,186,130	-		3,186,130
-	-		3,910,975
<u>(380,147)</u>	<u>(456,981)</u>		<u>(22,257,962)</u>
<u>3,730,756</u>	<u>184,001</u>		<u>16,115,898</u>
<u>89,434</u>	<u>1,975</u>		<u>309,743</u>
<u>5,447,563</u>	<u>185,976</u>		<u>19,777,602</u>
<u>\$ 6,090,496</u>	<u>\$ 187,033</u>		<u>\$ 26,914,092</u>
\$ 40,458	\$ 23,340		\$ 701,895
-	511,000		625,000
-	-		47,500
<u>268,312</u>	<u>7,487</u>		<u>1,332,431</u>
<u>308,770</u>	<u>541,827</u>		<u>2,706,826</u>
-	-		-
5,648	4,591		66,273
-	-		562,028
-	-		13,585
<u>4,893,673</u>	<u>78,902</u>		<u>16,141,117</u>
<u>4,899,321</u>	<u>83,493</u>		<u>16,783,003</u>
<u>5,208,091</u>	<u>625,320</u>		<u>19,489,829</u>
196,144	97,612		1,955,664
-	-		-
686,261	(535,899)		5,468,599
<u>\$ 882,405</u>	<u>\$ (438,287)</u>		<u>\$ 7,424,263</u>

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

CITY OF GAINESVILLE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>WATER & SEWER</u>	<u>MUNICIPAL AIRPORT</u>	<u>SOLID WASTE</u>
OPERATING REVENUES			
Charges for Services	\$ 7,074,997	\$ 889,699	\$ 3,386,152
Other Income	31,999	926,495	9,760
TOTAL OPERATING REVENUES	<u>7,106,996</u>	<u>1,816,194</u>	<u>3,395,912</u>
OPERATING EXPENSES			
Salaries and Benefits	1,672,962	138,209	670,133
Supplies, Materials, Repair and Maintenance	743,741	646,918	290,584
Heat, Light and Power	520,040	20,353	14,115
Lease Payments	926,985	14,400	-
Other	546,975	35,101	1,009,812
Depreciation	839,603	222,415	268,099
TOTAL EXPENSES	<u>5,250,306</u>	<u>1,077,396</u>	<u>2,252,743</u>
OPERATING INCOME (LOSS)	<u>1,856,690</u>	<u>738,798</u>	<u>1,143,169</u>
NONOPERATING REVENUES (EXPENSES)			
Reevaluation of Postclosure Care Costs	-	-	(43,025)
Amortization of Issuance Costs	(29,498)	(2,099)	(13,591)
Gain on Disposal of Assets	1,795	-	7,167
Investment Income	3,159	77	4,024
Interest Expense	(259,946)	(17,549)	(137,378)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(284,490)</u>	<u>(19,571)</u>	<u>(182,803)</u>
INCOME BEFORE TRANSFERS	<u>1,572,200</u>	<u>719,227</u>	<u>960,366</u>
TRANSFERS			
Transfers In	-	-	8,356
Transfers Out	(1,139,541)	-	(924,225)
NET TRANSFERS	<u>(1,139,541)</u>	<u>-</u>	<u>(915,869)</u>
CHANGE IN NET ASSETS	432,659	719,227	44,497
NET ASSETS AT BEGINNING OF YEAR	<u>2,576,354</u>	<u>2,741,907</u>	<u>465,501</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,009,013</u>	<u>\$ 3,461,134</u>	<u>\$ 509,998</u>

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

<u>STORMWATER</u>	<u>OTHER ENTERPRISE FUNDS</u>	
	<u>GOLF FUND</u>	<u>TOTAL</u>
\$ 959,499	\$ 280,294	\$12,590,641
788	5,238	974,280
<u>960,287</u>	<u>285,532</u>	<u>13,564,921</u>
85,042	365,528	2,931,874
8,339	66,729	1,756,311
-	32,245	586,753
-	-	941,385
19,763	44,734	1,656,385
<u>63,029</u>	<u>36,497</u>	<u>1,429,643</u>
<u>176,173</u>	<u>545,733</u>	<u>9,302,351</u>
<u>784,114</u>	<u>(260,201)</u>	<u>4,262,570</u>
-	-	(43,025)
(8,219)	(694)	(54,101)
-	-	8,962
3,921	-	11,181
<u>(208,932)</u>	<u>(4,137)</u>	<u>(627,942)</u>
<u>(213,230)</u>	<u>(4,831)</u>	<u>(704,925)</u>
<u>570,884</u>	<u>(265,032)</u>	<u>3,557,645</u>
-	277,428	285,784
<u>(224,469)</u>	-	<u>(2,288,235)</u>
<u>(224,469)</u>	<u>277,428</u>	<u>(2,002,451)</u>
346,415	12,396	1,555,194
<u>535,990</u>	<u>(450,683)</u>	<u>5,869,069</u>
<u>\$ 882,405</u>	<u>\$ (438,287)</u>	<u>\$ 7,424,263</u>

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

CITY OF GAINESVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	WATER AND SEWER FUND	MUNICIPAL AIRPORT
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 7,112,616	\$ 846,402
Payments to Suppliers for Goods and Services	(2,580,087)	(718,352)
Payments to Employees	(1,731,437)	(142,726)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,801,092</u>	<u>(14,676)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers In	-	-
Transfers Out	(1,139,541)	-
Payments Made on Loans from Other Funds	(54,000)	-
Receipts From Loans from Other Funds	-	25,000
Loans to Other Funds	-	-
Payments Received on Loans to Other Funds	-	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>(1,193,541)</u>	<u>25,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(170,319)	-
Proceeds from Sale of Assets	1,795	-
Payment of Bond Issuance Costs	-	-
Debt Proceeds	-	-
Payment of Postclosure Care Costs	-	-
Principal Paid on Bonds and Certificates of Obligation	(637,580)	(42,342)
Interest and Paying Agent Fees Paid on Bonds, Notes, and Certificates of Obligation	(257,644)	(17,784)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,063,748)</u>	<u>(60,126)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	3,159	76
Proceeds from Maturities of Investments	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>3,159</u>	<u>76</u>
INCREASE (DECREASE) IN CASH DURING YEAR	<u>546,962</u>	<u>(49,726)</u>
CASH - October 1	<u>1,576,481</u>	<u>50,720</u>
CASH - September 30	<u>\$ 2,123,443</u>	<u>\$ 994</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 1,856,690	\$ 738,798
Adjustments:		
Depreciation Expense	839,603	222,415
Non-Cash Grant Proceeds	-	(1,015,095)
Change in Assets and Liabilities:		
Receivables, Net	5,620	45,303
Inventories	14,558	-
Accounts Payable	84,621	(6,097)
Unearned Revenue	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,801,092</u>	<u>\$ (14,676)</u>
 NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Grants paid directly to vendor	\$ -	1,015,096
Airport improvements paid directly by grant	-	(1,015,096)

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

SOLID WASTE FUND	STORMWATER	OTHER ENTERPRISE FUND GOLF	TOTALS
\$ 3,506,493	\$ 965,884	\$ 285,175	\$ 12,716,570
(1,292,877)	(43,691)	(140,222)	(4,775,229)
(684,988)	(85,679)	(376,324)	(3,021,154)
<u>1,528,628</u>	<u>836,514</u>	<u>(231,371)</u>	<u>4,920,187</u>
8,356	-	277,428	285,784
(924,225)	(224,469)	-	(2,288,235)
-	-	(6,000)	(60,000)
-	-	-	25,000
-	-	-	-
35,000	-	-	35,000
<u>(880,869)</u>	<u>(224,469)</u>	<u>271,428</u>	<u>(2,002,451)</u>
(635,251)	(411,552)	(19,838)	(1,236,960)
7,167	-	-	8,962
(20,000)	-	-	(20,000)
395,000	-	-	395,000
(43,025)	-	-	(43,025)
(352,186)	(251,153)	(16,095)	(1,299,356)
<u>(139,290)</u>	<u>(209,019)</u>	<u>(4,241)</u>	<u>(627,978)</u>
<u>(787,585)</u>	<u>(871,724)</u>	<u>(40,174)</u>	<u>(2,823,357)</u>
4,023	3,921	-	11,179
-	-	-	-
<u>4,023</u>	<u>3,921</u>	<u>-</u>	<u>11,179</u>
(135,803)	(255,758)	(117)	105,558
1,706,413	2,223,432	516	5,557,562
<u>\$ 1,570,610</u>	<u>\$ 1,967,674</u>	<u>\$ 399</u>	<u>\$ 5,663,120</u>

\$ 1,143,169	\$ 784,114	\$ (260,201)	\$ 4,262,570
268,099	63,029	36,497	1,429,643
-	-	-	(1,015,095)
110,581	5,597	(357)	166,744
-	-	-	14,558
6,779	(16,226)	(7,310)	61,767
-	-	-	-
<u>\$ 1,528,628</u>	<u>\$ 836,514</u>	<u>\$ (231,371)</u>	<u>\$ 4,920,187</u>

\$ -	\$ -	\$ -	\$ 1,015,096
-	-	-	(1,015,096)

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

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

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

The City's basic financial statements are prepared in accordance with generally accepted accounting principles of the United States of America (GAAP) applicable to state and local governments and as set forth by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB), and their predecessors, the National Council on Governmental Accounting (NCGA) and the Accounting Principles Board (APB), respectively. Generally accepted accounting principles for local governments include those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*. As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply to its enterprise and government-wide financial statements, FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. The more significant accounting policies of the City are described in the notes following.

B. Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34 (GASB 34) which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and activities of its discretely presented component unit on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, excluding infrastructures.

GASB 34, which was implemented by the City for fiscal year 2003, includes certain transition treatments in regards to infrastructure. Provisions of GASB 34 allow an additional four years to implement the retroactive infrastructure reporting requirements. During the fiscal year 2007, the City performed a study to estimate historical cost of its infrastructure. The City determined that unrecorded infrastructure amounted to \$64,666,902. This amount was added to capital assets and a corresponding amount was added to accumulated depreciation.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

measurement focus for governmental funds. The accrual basis of accounting and the economic resources measurement focus is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Accordingly, the accounting and financial reporting of the City's General Fund, Capital Projects Funds and Debt Service Fund is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by GASB 34.

GASB 34 also requires supplementary information presented as Management's Discussion and Analysis, which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the originally adopted and final General Fund and Debt Service Fund budget with actual results.

C. Reporting Entity

The accompanying financial statements present the City's primary government and its component units, entities over which the City exercises significant influence and for which the City is considered to be financially accountable. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

Component Units

A Component Unit is a legally separate organization that a primary government must include as part of its financial reporting entity for a fair representation in conformity with GAAP. There are three separate tests for determining whether a particular legally separate entity is a component unit of a primary government's financial reporting entity: (1) substantive appointment of the unit's governing board; (2) fiscal dependence on the primary government; and (3) the potential that exclusion would result in misleading financial reporting. The City evaluated the operations and legal guidelines of each of the potential component units over which it exercises some degree of influence and determined that three organizations are component units.

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

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

Community Parks of Gainesville, Texas, Inc. – The Community Parks of Gainesville, Texas, Inc. (Parks Fund) was created as a 501(c)(3) corporation to sponsor the development of parks within the City. Its primary source of revenue is contributions from the general public. The properties on which the parks are developed are included within the City's general fund capital assets. The Board of Directors is comprised of nine members; the City's Director of Public Works serves as an officer of the Board. The Parks Fund is reported as a special revenue fund.

Discretely Presented Component Units - Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. The City's discretely presented component unit accounts for its activities using the governmental fund model. The basic financial statements for component units report on the full accrual basis.

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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

D. Government-Wide and Fund Financial Statements

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

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

The statement of activities reports the change in the City's net assets from October 1, 2009 to September 30, 2010. This statement demonstrates the degree to which the direct expenses of a given function of government are offset by program revenues. Specifically, the City has identified the following functions of government: support services, public safety services, recreation and leisure services, development services, water and wastewater services, solid-waste operations, stormwater services, municipal airport operations, and golf course operations. *Direct expenses* are those that are clearly identifiable with a specific function of City government. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included with program revenues are reported instead as *general revenues* in the statement of activities.

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

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

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The City reports the following major governmental funds at September 30, 2010:

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

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

2010 Certificates of Obligation - This fund accounts for the receipt and expenditure of the 2010 Certificates of Obligation.

The City reports the following major proprietary funds at September 30, 2010:

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

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

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

Solid Waste Utility Fund – This fund accounts for the operations of the City's refuse collection and disposal services. Revenues are generated through user charges. The City accrues for landfill closure and postclosure care costs (Note III.F.5.).

E. Measurement Focus and Basis of Accounting

1. Governmental Funds

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

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

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

- Property taxes are billed and collected by the Cooke County Appraisal District (CCAD) based on assessed taxable values each January 1 as determined by the CCAD using exemptions approved by the City. Taxes are levied and due on the next October 1 and are past due after January 31 of the following year. Tax liens are automatic on January 1 for each year of tax levy. Property taxes receivable are recorded on October 1 when taxes are assessed with a reserve estimate for uncollectibles. Property tax revenues are recorded as the taxes are collected. Delinquent tax payments are recognized as revenue when both measurable and available. Additional amounts estimated to be collectible in time to be a resource payment of obligations incurred during the

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fiscal year and, therefore, susceptible to accrual in accordance with General Accepted Accounting Principles have been recognized as revenue.

- Sales taxes are collected by the State and remitted to the City monthly in 60 days arrears. The City recognizes sales tax revenues when collected from the State. Additional amounts estimated to be collectible in time to be a resource payment of obligations incurred during the fiscal year and, therefore, susceptible to accrual in accordance with General Accepted Accounting Principles have been recognized as revenue. The City allocates its sales tax revenues to the General Fund and Gainesville Economic Development Fund pursuant to City ordinances and State statutes.
- Intergovernmental revenues are recognized when the qualifying expenditures are incurred and all other grant requirements have been met for reimbursement expenditure grants.

2. Proprietary Funds

The *accrual* basis of accounting and flow of *economic resources* measurement focus are used for the government-wide statements and in all proprietary fund types. Under the accrual basis of accounting, revenues are recognized when earned, and expenses (including depreciation) are recorded when the liability is incurred. In accordance with paragraph 7 of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund and Other Governmental Entities that Use Proprietary Fund Accounting*, the City applies all FASB guidance issued on or before November 30, 1989, unless it conflicts with or contradicts GASB guidance, and has chosen not to follow FASB guidance issued subsequent to that date.

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

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

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

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

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

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. The City operates under a depository contract in accordance with State law.

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

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

2. Receivables and Payables

Accounts Receivable – Utility customers are billed monthly on a regular cycle basis as meters are read, or services are performed, with revenue recorded when customers are billed. The estimated unbilled revenue at September 30, 2010, was derived by taking the cycle billings that the City billed customers in October and prorating the amount of days applicable to the current year and recording the prorated amount as current year revenue. The total prorated amount is also recorded as accounts receivable at year-end.

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

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

3. Inventories

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

4. Capital Assets

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

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

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5. Encumbrances

Encumbrance accounting is used for the governmental funds. Encumbrances are recorded when a purchase order is issued, and encumbrances are not considered expenditures until a liability for payment is incurred. Encumbrances outstanding at year-end are reported as a reservation of fund balance on the governmental funds' balance sheet for subsequent year expenditures and are generally reappropriated in the subsequent year budgetary accounts.

6. Compensated Absences

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

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

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

Fire Department employees earn vacation time at the following rates:

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

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

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

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

7. Net Assets

Unspent bond proceeds for capital improvements are not included in the net asset account as invested in capital assets net of related debt until the proceeds have been used to acquire capital assets.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Policies

The City's fiscal year begins on October 1 and ends on September 30 of the following calendar year. Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for all City departments, divisions, and offices for the fiscal year beginning on the following October 1.

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The operating budget, which represents the financial plan of the ensuing fiscal year, includes proposed expenditures or expenses and the means of financing them. Public hearings are conducted at which all interested persons are encouraged to comment concerning the proposed budget.

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

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

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

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

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2010, expenditures exceeded appropriations in the following funds:

	Excess Amount
General Fund:	
Legal Services	\$ 1,339
Main Street Operations	4,609
Finance	8,447
Emergency Management	2,837
Fire	5,228
Capital Outlay	291,636
Debt Service:	
General Government	15,392
Nonmajor Governmental Funds:	
Law Officer Education Fund	1,004
Municipal Court Technology	14,572
City Athletic Fields	3,771
State Seizure Funds	39,176

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C. Deficit Fund Equity

At September 30, 2010, the following funds had a deficit fund balance (or net assets):

Proprietary Funds:	
Golf Course Fund	\$ 438,287
Governmental Funds:	
Frank Buck Zoo	349,161

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

At September 30, 2010, cash and cash equivalents consisted of the following:

Cash on Hand	\$ 4,075
Cash Equivalents - Investments	11,807,838
Cash in Banks	1,847,323
Total Cash and Cash Equivalents	<u>\$ 13,659,236</u>

	Governmental Activities	Business Activities	Component Unit	Total
Cash and Cash Equivalents	\$ 6,872,789	\$ 2,311,159	\$ 1,123,327	\$10,307,275
Restricted Cash and Cash Equivalents	-	3,351,961	-	3,351,961
Totals	<u>\$ 6,872,789</u>	<u>\$ 5,663,120</u>	<u>\$ 1,123,327</u>	<u>\$13,659,236</u>

The funds of the City must be deposited and invested under the terms of a depository contract; contents of which are set out in the *Depository Contract Law*. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Deposits - At September 30, 2010, the City had \$4,075 of cash on hand. The carrying amount of the City's cash in bank totaled \$1,657,965 and bank balance was \$1,722,595. The City's deposits at September 30, 2010, were fully covered by Federal Depository Insurance amounting to \$250,000 and with securities held by the pledging financial institution in the depositor-government's name amounting to \$1,662,209. The carrying amount of the Gainesville Economic Development Corporation's cash as of September 30, 2010, as reflected in the statement of net assets was \$189,358 and the bank balance was \$189,614. Deposits of the GEDC component unit were fully covered by Federal Depository Insurance amounting to \$250,000.

Investments - The City is required by Government Code Chapter 2256, the Public Funds Investment Act to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. The City's investment policy complies with the Public Funds Investment Act provisions.

The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the basic financial statements disclosed that in

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the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments, which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper. The City's investments were in accordance with the Act.

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

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

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

Both public fund investment pool agencies operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 and is rated AAAM by Standard and Poors. All investments are stated at amortized cost, and accordingly, the fair value of the position of the pool funds are the same as the value of shares. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poors, as well as the Office of the Comptroller of Public Accounts for review. Deposits held in these public funds investment pools are not subject to custodial credit risk. The City had \$6,057,109 on deposit with TexPool and \$4,662,280 on deposit with TexStar at September 30, 2010. The GEDC had \$989,054 on deposit with TexStar at September 30, 2010.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. It is the policy of the City that their deposits are to be covered by federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City. At September 30, 2010, the City had no cash deposits that were exposed to custodial credit risk.

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

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

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Investment Type	Total	AAA	Unrated
TexSTAR	\$ 5,651,334	\$ 5,651,334	\$ -
TexPool	6,057,109	6,057,109	-
Money Market Funds	79,395	79,395	-
U.S. Government Backed Bonds	20,000	20,000	-
	\$ 11,807,838	\$ 11,807,838	\$ -

Concentration of Credit Risk - This risk is the risk of loss attributable to the magnitude of a government's investment in a single issuer. At year-end, neither the City nor the GEDC was exposed to concentration of credit risk.

B. Receivables

Property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within the City. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

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

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

Tax collections are prorated between the General Fund and Debt Service Fund based on the tax rate approved by the Board. For the year ended September 30, 2010, the rates were \$.42567 and \$.22133, respectively, per \$100 of assessed value. At September 30, 2010, the City had a tax margin of \$1.853 for every \$100 valuation based upon a maximum *ad valorem* tax of \$2.50 for every \$100 valuation imposed by Texas Constitutional Law.

Receivables as of September 30, 2010, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

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	Governmental Funds				Total
	General Fund	Debt Service	2010 Cert of Oblig	Nonmajor Funds	
Property Taxes	\$ 190,142	\$ 98,594	-	\$ -	\$ 288,736
Sales Tax	382,251	-	-	-	382,251
Other Local Fees	-	-	-	41,085	41,085
Service Receivables	-	-	-	-	-
Franchise Tax	294,822	-	-	-	294,822
Court Warrants	884,612	-	-	-	884,612
Debt Proceeds	-	-	1,979,525	-	1,979,525
Other	135,459	7,166	-	3,089	145,714
	<u>1,887,286</u>	<u>105,760</u>	<u>1,979,525</u>	<u>44,174</u>	<u>4,016,745</u>
Allowance for Uncollectibles	(503,498)	(14,992)	-	-	(518,490)
Net Receivables	<u>\$ 1,383,788</u>	<u>\$ 90,768</u>	<u>1,979,525</u>	<u>\$ 44,174</u>	<u>\$ 3,498,255</u>

	Proprietary Funds					Total
	Water and Sewer	Municipal Airport	Solid Waste	Stormwater Utility	Nonmajor-Golf Fund	
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Service Receivables	718,374	35,318	461,351	102,208	-	1,317,251
Court Warrants	-	-	-	-	-	-
Debt Proceeds	2,557,244	-	-	208,080	-	2,765,324
Other	18,571	55,652	-	-	658	74,881
	<u>3,294,189</u>	<u>90,970</u>	<u>461,351</u>	<u>310,288</u>	<u>658</u>	<u>4,157,456</u>
Allowance for Uncollectibles	(9,778)	-	(92,025)	(7,656)	-	(109,459)
Net Receivables	<u>\$ 3,284,411</u>	<u>\$ 90,970</u>	<u>\$ 369,326</u>	<u>\$ 302,632</u>	<u>\$ 658</u>	<u>\$ 4,047,997</u>

C. Interfund Receivables, Payables, and Transfers

1. Interfund Receivables and Payables

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

Interfund receivable and payable balances at September 30, 2010 are as follows:

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General Fund	Nonmajor Governmental Funds	\$ 321,000
	2010 Certificates of Obligation	28,000
Enterprise Funds:		
Solid Waste Utility Fund	Municipal Airport	114,000
	Nonmajor Proprietary Fund	511,000
		<u>\$ 974,000</u>

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

2. Interfund Transfers

The following is a summary of interfund operating transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds:		
General Fund	Nonmajor Governmental Funds	\$ 255,272
	Water & Sewer Utility	1,139,541
	Stormwater Utility	224,469
	Solid Waste Utility	895,614
	Nonmajor Proprietary Fund	-
Nonmajor Governmental Funds	General Fund	218,781
	Debt Service Fund	99,996
	Nonmajor Governmental Funds	476,410
	Solid Waste Utility	28,611
Enterprise Funds:		
Solid Waste	Water & Sewer Utility	-
	Debt Service Fund	8,356
Nonmajor Proprietary Fund	Debt Service Fund	120,327
	Nonmajor Governmental Funds	2,500
	General Fund	154,601
		<u>\$ 3,624,478</u>

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

D. Capital Assets

Capital asset activity for the year ended September 30, 2010 was as follows:

	<u>Balance</u> <u>10/1/2009</u>	<u>Additions/</u> <u>Completions</u>	<u>Disposals</u>	<u>Balance</u> <u>9/30/2010</u>
Governmental Activities:				
<u>Non-Depreciable Capital Assets:</u>				
Construction				
in Progress	\$ 1,026,524	\$ (486,074)	\$ -	\$ 540,450
Land & Land Rights	920,036	-	-	920,036
	<u>1,946,560</u>	<u>(486,074)</u>	<u>-</u>	<u>1,460,486</u>
<u>Depreciable Capital Assets:</u>				
Machinery & Equip.	5,463,933	202,997	(188,496)	5,478,434
Furniture & Fixtures	191,426	4,600	-	196,026
Office Mach. & Equip.	1,900,260	65,414	-	1,965,674
Buildings	8,679,693	719,259	-	9,398,952
Improvements	76,820,351	411,666	-	77,232,017
	<u>93,055,663</u>	<u>1,403,936</u>	<u>(188,496)</u>	<u>94,271,103</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Less Accumulated Depreciation:				
Machinery & Equip.	(3,908,669)	(268,408)	188,496	(3,988,581)
Furniture & Fixtures	(163,072)	(2,871)	-	(165,943)
Office Mach. & Equip.	(1,544,914)	(104,280)	-	(1,649,194)
Buildings	(5,048,244)	(350,618)	-	(5,398,862)
Improvements	(71,202,908)	(478,271)	-	(71,681,179)
	<u>(81,867,807)</u>	<u>(1,204,448)</u>	<u>188,496</u>	<u>(82,883,759)</u>
Net Depreciable				
Capital Assets	11,187,856	199,488	-	11,387,344
Net Capital Assets	<u>\$ 13,134,416</u>	<u>\$ (286,586)</u>	<u>\$ -</u>	<u>\$ 12,847,830</u>

	Balance 10/1/2009	Additions/ Completions	Disposals	Balance 9/30/2010
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Discretely Presented Component Unit:

<u>Non-Depreciable Capital Assets:</u>				
Land & Land Rights	\$ 397,371	\$ -	\$ -	\$ 397,371

<u>Depreciable Capital Assets:</u>				
Office Mach. & Equip.	39,630	-	-	39,630
Buildings	1,975,114	-	-	1,975,114
	<u>2,014,744</u>	<u>-</u>	<u>-</u>	<u>2,014,744</u>

Less Accumulated Depreciation:				
Office Mach. & Equip.	(3,323)	(4,300)	-	(7,623)
Buildings	(397,560)	(65,837)	-	(463,397)
	<u>(400,883)</u>	<u>(70,137)</u>	<u>-</u>	<u>(471,020)</u>
Net Depreciable				
Capital Assets	<u>\$ 2,011,232</u>	<u>\$ (70,137)</u>	<u>\$ -</u>	<u>\$ 1,941,095</u>

	Balance 10/1/2009	Additions/ Completions	Disposals	Balance 9/30/2010
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Proprietary Funds (in Aggregate):

<u>Non-Depreciable Capital Assets:</u>				
Construction				
in Progress	\$ 2,104,761	\$ (938,159)	\$ -	\$ 1,166,602
Land & Land Rights	753,196	120,137	-	873,333
	<u>2,857,957</u>	<u>(818,022)</u>	<u>-</u>	<u>2,039,935</u>

<u>Depreciable Capital Assets:</u>				
Machinery & Equip.	6,833,765	656,859	-	7,490,624
Furniture & Fixtures	1,080	-	-	1,080
Office Mach. & Equip.	206,869	2,031	-	208,900
Buildings	2,306,753	-	-	2,306,753
Improvements	11,913,438	2,238,111	-	14,151,549
Plant In Svc-Water	10,792,817	(14,184)	-	10,778,633
Plant In Svc-Sewer	1,396,385	1	-	1,396,386
	<u>33,451,107</u>	<u>2,882,818</u>	<u>-</u>	<u>36,333,925</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Less Accumulated Depreciation:

Machinery & Equip.	(4,763,044)	(405,558)	187,264	(4,981,338)
Furniture & Fixtures	(1,080)	-	-	(1,080)
Office Mach. & Equip.	(87,565)	(28,677)	-	(116,242)
Buildings	(1,289,751)	(118,828)	-	(1,408,579)
Improvements	(6,785,626)	(550,094)	-	(7,335,720)
Plant In Svc-Water	(6,987,460)	(289,027)	-	(7,276,487)
Plant In Svc-Sewer	(1,101,056)	(37,460)	-	(1,138,516)
	<u>(21,015,582)</u>	<u>(1,429,644)</u>	<u>187,264</u>	<u>(22,257,962)</u>
Net Depreciable Capital Assets	<u>12,435,525</u>	<u>1,453,174</u>	<u>187,264</u>	<u>14,075,963</u>
Net Capital Assets	<u>\$ 15,293,482</u>	<u>\$ 635,152</u>	<u>\$ 187,264</u>	<u>\$ 16,115,898</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Capital asset balances of individual proprietary funds as of September 30, 2010 were as follows:

	Water and Sewer	Municipal Airport	Solid Waste	Stormwater Utility	Nonmajor- Golf Fund	Totals
<u>Non-Depreciable Capital Assets:</u>						
Construction						
in Progress	\$ -	\$ 1,166,602	\$ -	\$ -	\$ -	\$ 1,166,602
Land & Land Rights	76,566	100,000	-	696,767	-	873,333
	<u>76,566</u>	<u>1,266,602</u>	<u>-</u>	<u>696,767</u>	<u>-</u>	<u>2,039,935</u>
<u>Depreciable Capital Assets:</u>						
Machinery & Equip.	2,069,090	238,025	4,816,728	228,006	138,775	7,490,624
Furniture & Fixtures	1,080	-	-	-	-	1,080
Office Mach. & Equip.	173,050	-	35,850	-	-	208,900
Buildings	527,933	800,161	916,951	-	61,708	2,306,753
Improvements	6,613,945	3,910,975	-	3,186,130	440,499	14,151,549
Plant In Service-Water	10,778,633	-	-	-	-	10,778,633
Plant In Service-Sewer	1,396,386	-	-	-	-	1,396,386
	<u>21,560,117</u>	<u>4,949,161</u>	<u>5,769,529</u>	<u>3,414,136</u>	<u>640,982</u>	<u>36,333,925</u>
<u>Less Accumulated Depreciation:</u>						
Machinery & Equip.	(1,326,115)	(173,437)	(3,166,037)	(207,503)	(108,246)	(4,981,338)
Furniture & Fixtures	(1,080)	-	-	-	-	(1,080)
Office Mach. & Equip.	(94,303)	-	(21,939)	-	-	(116,242)
Buildings	(412,461)	(396,519)	(537,891)	-	(61,708)	(1,408,579)
Improvements	(5,102,326)	(1,772,215)	(1,508)	(172,644)	(287,027)	(7,335,720)
Plant In Service-Water	(7,276,487)	-	-	-	-	(7,276,487)
Plant In Service-Sewer	(1,138,516)	-	-	-	-	(1,138,516)
	<u>(15,351,288)</u>	<u>(2,342,171)</u>	<u>(3,727,375)</u>	<u>(380,147)</u>	<u>(456,981)</u>	<u>(22,257,962)</u>
Net Depreciable Capital Assets	6,208,829	2,606,990	2,042,154	3,033,989	184,001	14,075,963
Net Capital Assets	\$ 6,285,395	\$ 3,873,592	\$ 2,042,154	\$ 3,730,756	\$ 184,001	\$ 16,115,898

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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

Governmental Activities:	
General Government	\$ 371,253
Finance	3,329
Community Development	45,657
Public Safety	294,301
Public Works	489,908
	<u>\$ 1,204,448</u>
Discretely Presented Component Unit:	
Gainesville Economic Development Corp	<u>\$ 70,137</u>
Proprietary Funds:	
Water & Sewer	\$ 839,603
Airport	222,415
Solid Waste	268,099
Stormwater	63,029
Golf Course	36,498
	<u>\$ 1,429,644</u>

E. Accounts Payable

Accounts payable as of September 30, 2010, for the City's major funds and nonmajor funds in the aggregate are as follows:

	Governmental Funds					Total
	General Fund	Debt Service	2010 Cert of Oblig	Nonmajor Funds		
Vendor Payables	\$ 408,739	\$ 11,756	\$ -	\$ 118,446		\$ 538,941
Court Costs Payable	22,370	-	-	-		22,370
Due to Departments	62,324	-	-	-		62,324
Accrued Payroll Payable	114,351	-	-	7,405		121,756
	<u>\$ 607,784</u>	<u>\$ 11,756</u>	<u>\$ -</u>	<u>\$ 125,851</u>		<u>\$ 745,391</u>
	Proprietary Funds					
	Water and Sewer	Municipal Airport	Solid Waste	Stormwater Utility	Nonmajor-Golf Fund	Total
Vendor Payables	\$ 154,812	\$ 4,211	\$ 105,415	\$ 11,242	\$ 12,316	\$ 287,996
Accrued Comp. Absences	31,000	2,600	15,000	2,500	3,500	54,600
Postclosure Care Costs	-	-	30,000	-	-	30,000
Accrued Payroll Payable	22,286	1,575	8,662	1,126	6,067	39,716
Deposits Payable	127,074	-	8,245	-	-	135,319
Interest Payable	40,270	2,131	16,632	25,590	485	85,108
Sales Tax Payable	-	-	68,184	-	972	69,156
Totals	<u>\$ 375,442</u>	<u>\$ 10,517</u>	<u>\$ 252,138</u>	<u>\$ 40,458</u>	<u>\$ 23,340</u>	<u>\$ 701,895</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

F. Long-Term Debt

1. Governmental Activities Long-Term Debt

As of September 30, 2010, the City had the following governmental activities long-term debt outstanding:

	<u>Interest Rate</u>	<u>Year of Issue</u>	<u>Year of Maturity</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
General Obligation Bonds:						
Series 2002	4.2-5.0%	2002	2022	\$ 3,993,862	\$ 1,480,338	\$ 182,925
Series 2005	3.80%	2005	2020	534,906	396,321	50,487
Series 2007	4.0-4.125%	2007	2026	6,639,539	6,090,679	345,948
Total General Obligation Bonds					<u>7,967,338</u>	<u>579,360</u>
Certificates of Obligation Bonds:						
Series 2001	4.65-5.65%	2001	2026	1,140,000	115,310	36,690
Series 2002	4.15-5.1%	2002	2022	1,110,000	205,000	50,000
Series 2003	2.5-4.625%	2003	2024	2,050,000	1,590,000	85,000
Series 2008	4.00%	2008	2018	962,020	807,520	86,520
Series 2010	1.25-4.4%	2010	2029	2,036,000	2,036,000	-
Total Certificates of Obligation Bonds					<u>4,753,830</u>	<u>258,210</u>
Capital Leases						
First Security	5.50%	2007	2012	30,602	13,231	6,438
Total Long-Term Debt - Governmental Activities					<u>\$ 12,734,399</u>	<u>\$ 844,008</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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

	Balance 10/1/2009	New Debt or Increases	Payments or Decreases	Balance 9/30/2010
General Obligation Bonds:				
Series 2002	\$ 1,653,100	\$ -	\$ (172,763)	\$ 1,480,338
Series 2005	444,367	-	(48,046)	396,321
2005 Deferred Refunding Credit	(14,668)	-	1,410	(13,258)
Series 2007	6,363,447	-	(272,768)	6,090,679
2007 Deferred Refunding Credit	(577,311)	-	35,202	(542,109)
2007 Reoffering Premium	15,909	-	(968)	14,941
Total GO Bonds	7,884,844	-	(457,933)	7,426,912
Certificates of Obligation Bonds:				
Series 2000	172,211	-	(172,211)	-
Series 2001	149,379	-	(34,069)	115,310
Series 2002	255,000	-	(50,000)	205,000
Series 2003	1,670,000	-	(80,000)	1,590,000
Series 2008	891,980	-	(84,460)	807,520
2008 Reoffering Premium	15,386	-	(2,080)	13,306
Series 2010	-	2,036,000	-	2,036,000
2010 Discount	-	(13,234)	-	(13,234)
Total CO Bonds	3,153,956	2,022,766	(422,820)	4,753,902
Notes Payable				
First State Bank	58,065	-	(58,065)	-
Capital Leases				
First Security	19,334	-	(6,103)	13,231
Total Long Term Debt - Governmental Activities	\$ 11,116,199	\$ 2,022,766	\$ (944,921)	\$ 12,194,045

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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

Fiscal Year Sep. 30,	General Obligation Bonds		Certificates of Obligation			Capital Leases			Totals	
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Principal	Interest
2011	579,360	313,833	893,193	258,210	177,978	436,188	6,438	728	844,008	492,539
2012	477,058	291,970	769,028	357,565	169,688	527,254	6,793	373	841,416	462,031
2013	489,521	272,237	761,758	361,685	157,232	518,919	-	-	851,206	429,469
2014	611,648	249,575	861,223	338,581	144,800	483,384	-	-	950,229	394,375
2015	688,929	222,672	911,601	294,787	133,672	428,463	-	-	983,716	356,344
2016	700,016	193,732	893,748	305,993	122,968	428,966	-	-	1,006,009	316,700
2017	734,450	163,580	898,030	317,199	111,378	428,583	-	-	1,051,649	274,958
2018	754,431	133,034	887,465	330,491	98,972	429,470	-	-	1,084,922	232,006
2019	584,082	106,331	690,413	224,303	88,044	312,355	-	-	808,385	194,375
2020	604,798	82,604	687,402	231,389	78,791	310,189	-	-	836,187	161,395
2021	502,290	60,489	562,779	240,562	69,066	309,638	-	-	742,852	129,555
2022	522,248	39,998	562,246	249,734	58,822	308,567	-	-	771,982	98,820
2023	169,648	26,075	195,723	258,906	47,990	306,908	-	-	428,554	74,065
2024	172,974	19,051	192,025	275,164	36,401	311,578	-	-	448,138	55,452
2025	182,953	11,732	194,685	129,336	27,713	157,063	-	-	312,289	39,445
2026	192,933	3,979	196,912	135,594	22,182	157,791	-	-	328,527	26,161
2027	-	-	-	141,852	16,285	158,153	-	-	141,852	16,285
2028	-	-	-	148,110	10,014	158,141	-	-	148,110	10,014
2029	-	-	-	154,369	3,396	157,783	-	-	154,369	3,396
	<u>\$ 7,967,338</u>	<u>\$ 2,190,892</u>	<u>\$ 10,158,230</u>	<u>\$ 4,753,830</u>	<u>\$ 1,575,392</u>	<u>\$ 6,329,393</u>	<u>\$ 13,231</u>	<u>\$ 1,101</u>	<u>\$ 12,734,399</u>	<u>\$ 3,767,385</u>
										<u>\$ 16,501,784</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

2. Business-Type Activities Long-Term Debt

As of September 30, 2010, the City had the following business-type activities long-term debt:

	Interest Rate	Year of Issue	Year of Maturity	Original Amount	Amount Outstanding	Due Within One Year
<u>Water and Sewer Utility</u>						
Certificates of Obligation Bonds:						
Series 2001	4.65-5.65%	2001	2026	\$ 1,190,000	\$ 120,368	\$ 38,300
Series 2008	4.00%	2008	2018	464,665	390,040	41,790
Series 2010	1.25-4.4%	2010	2029	2,630,000	2,630,000	-
General Obligation Bonds:						
Series 2005	3.80%	2005	2020	4,353,584	3,225,638	410,909
Series 2007	4.0-4.125%	2007	2026	965,362	885,560	50,299
Series 2008	4.00%	2008	2028	1,600,157	1,505,245	57,837
Capital Lease						
Old National Bank	5.25%	2006	2011	159,254	34,624	34,624
First Security	5.50%	2007	2012	61,205	26,462	12,876
					8,817,937	646,635
<u>Municipal Airport</u>						
Certificates of Obligation Bonds:						
Series 1995	4.1-6.35%	1995	2015	115,000	40,000	5,000
Series 2001	4.65-5.65%	2001	2026	220,000	22,253	7,081
General Obligation Bonds:						
Series 2005	3.80%	2005	2020	261,244	193,560	24,657
Series 2007	4.0-4.125%	2007	2026	160,450	147,186	8,360
					402,999	45,098
<u>Solid Waste Utility</u>						
Certificates of Obligation Bonds:						
Series 2001	4.65-5.65%	2001	2026	1,630,000	164,874	52,460
Series 2008	4.00%	2008	2018	908,315	762,440	81,690
General Obligation Bonds:						
Series 2005	3.80%	2005	2020	1,194,790	885,238	112,769
Series 2007	4.0-4.125%	2007	2026	1,352,678	1,240,859	70,480
Tax Notes						
Series 2009	3.20%	2009	2014	395,000	395,000	95,000
					3,448,411	412,399
<u>Stormwater Utility</u>						
General Obligation Bonds:						
Series 2002	4.2-5.0%	2002	2022	1,901,138	704,663	87,075
Series 2007	4.0-4.125%	2007	2026	774,843	710,790	40,373
Series 2008	4.00%	2008	2028	3,794,843	3,569,755	137,163
Certificates of Obligation Bonds:						
Series 2001	4.65-5.65%	2001	2026	115,000	11,632	3,701
Series 2010	1.25-4.4%	2010	2029	214,000	214,000	-
					5,210,840	268,312

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Municipal Golf Course

Certificates of Obligation Bonds:

Series 2001	4.65-5.65%	2001	2026	55,000	5,563	1,769
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General Obligation Bonds:

Series 2005	3.80%	2005	2020	12,476	9,244	1,178
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Series 2007	4.0-4.125%	2007	2026	87,127	79,925	4,540
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	<u>94,732</u>	<u>7,487</u>
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Total Bonds - Proprietary Funds Activities

	<u>\$ 17,974,919</u>	<u>\$ 1,379,931</u>
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The changes in long-term debt from business-type activities are summarized below:

	<u>Balance</u> <u>10/1/2009</u>	<u>New Debt or</u> <u>Increases</u>	<u>Payments or</u> <u>Decreases</u>	<u>Balance</u> <u>9/30/2010</u>
<u>Water and Sewer Utility</u>				
Certificates of Obligation Bonds:				
Series 2000	\$ 23,691	\$ -	\$ (23,691)	\$ -
Series 2001	155,931	-	(35,563)	120,368
Series 2008	430,835	-	(40,795)	390,040
2008 Reoffering Premium	7,431	-	(1,004)	6,427
Series 2010	-	2,630,000	-	2,630,000
2010 Discount	-	(17,095)	-	(17,095)
General Obligation Bonds:				
Series 2005	3,616,686	-	(391,048)	3,225,638
2005 Deferred Refunding Credit	(209,128)	-	20,108	(189,020)
Series 2007	925,219	-	(39,659)	885,560
2007 Deferred Refunding Credit	(61,117)	-	3,727	(57,390)
2007 Reoffering Premium	2,314	-	(142)	2,172
Series 2008	1,561,599	-	(56,354)	1,505,245
2008 Reoffering Premium	7,840	-	(426)	7,414
Capital-Lease				
Old National Bank	67,521	-	(32,897)	34,624
First Security	38,669	-	(12,207)	26,462
	<u>7,134,821</u>	<u>2,612,905</u>	<u>(609,950)</u>	<u>8,570,445</u>

Municipal Airport

Certificates of Obligation Bonds:

Series 1995	45,000	-	(5,000)	40,000
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Series 2001	28,828	-	(6,575)	22,253
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General Obligation Bonds:

Series 2005	217,025	-	(23,465)	193,560
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2005 Deferred Refunding Credit	(12,791)	-	1,230	(11,561)
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Series 2007	153,778	-	(6,592)	147,186
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2007 Deferred Refunding Credit	(7,887)	-	481	(7,406)
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2007 Reoffering Premium	383	-	(22)	361
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	<u>461,912</u>	<u>-</u>	<u>(39,943)</u>	<u>384,393</u>
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CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Solid Waste Utility

Certificates of Obligation Bonds:

Series 2000	38,637	-	(38,637)	-
Series 2001	213,586	-	(48,712)	164,874
Series 2008	842,185	-	(79,745)	762,440
2008 Reoffering Premium	14,526	-	(1,963)	12,563

General Obligation Bonds:

Series 2005	992,557	-	(107,319)	885,238
2005 Deferred Refunding Credit	(58,171)	-	5,593	(52,578)
Series 2007	1,296,430	-	(55,571)	1,240,859
2007 Deferred Refunding Credit	(85,215)	-	5,196	(80,019)
2007 Reoffering Premium	3,242	-	(198)	3,044

Tax Note

Series 2009	-	395,000	-	395,000
	<u>3,576,053</u>	<u>395,000</u>	<u>(321,357)</u>	<u>3,331,421</u>

Stormwater Utility

Certificates of Obligation Bonds:

Series 2001	15,069	-	(3,437)	11,632
Series 2010	-	214,000	-	214,000
2010 Discount	-	(1,391)	-	(1,391)

General Obligation Bonds:

Series 2002	786,900	-	(82,237)	704,663
Series 2007	742,623	-	(31,833)	710,790
2007 Deferred Refunding Credit	(71,127)	-	4,337	(66,790)
2007 Reoffering Premium	1,857	-	(113)	1,744
Series 2008	3,703,401	-	(133,646)	3,569,755
2008 Reoffering Premium	18,592	-	(1,010)	17,582
	<u>5,383,198</u>	<u>212,609</u>	<u>(247,939)</u>	<u>5,161,985</u>

Municipal Golf Course

Certificates of Obligation Bonds:

Series 2000	9,751	-	(9,751)	-
Series 2001	7,207	-	(1,644)	5,563

General Obligation Bonds:

Series 2005	10,364	-	(1,120)	9,244
2005 Deferred Refunding Credit	(558)	-	53	(505)
Series 2007	83,504	-	(3,579)	79,925
2007 Deferred Refunding Credit	(8,555)	-	521	(8,034)
2007 Reoffering Premium	209	-	(13)	196
	<u>163,357</u>	<u>-</u>	<u>(15,533)</u>	<u>86,389</u>

Totals

	<u>\$ 16,719,341</u>	<u>\$ 3,220,514</u>	<u>\$ (1,234,721)</u>	<u>\$ 17,534,633</u>
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City of Gainesville, Texas
Notes to Basic Financial Statements
September 30, 2010

Water and Sewer Utility

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

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

Fiscal Year Sep. 30,	Certificates of Obligation			General Obligation Bonds			Capital Lease			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 80,090	\$ 107,726	\$ 187,816	\$ 519,045	\$ 208,355	\$ 727,400	\$ 47,500	\$ 3,271	\$ 50,771	\$ 646,635	\$ 319,352	\$ 965,987
2012	197,990	107,366	305,356	484,136	189,091	673,227	13,586	747	14,333	695,712	297,204	992,916
2013	199,980	102,043	302,023	453,626	171,079	624,705	-	-	-	653,606	273,122	926,728
2014	163,631	97,145	260,776	435,740	153,964	589,704	-	-	-	599,371	251,109	850,480
2015	168,315	92,673	260,988	453,173	136,825	589,998	-	-	-	621,488	229,498	850,986
2016	173,000	87,642	260,642	463,672	119,141	582,813	-	-	-	636,672	206,783	843,455
2017	177,685	82,036	259,721	477,072	100,995	578,067	-	-	-	654,757	183,031	837,788
2018	185,064	75,854	260,918	527,150	81,594	608,744	-	-	-	712,214	157,448	869,662
2019	134,734	70,248	204,982	366,790	64,267	431,057	-	-	-	501,524	134,515	636,039
2020	137,428	65,416	202,844	378,822	49,773	428,595	-	-	-	516,250	115,189	631,439
2021	142,818	60,264	203,082	160,528	39,197	199,725	-	-	-	303,346	99,461	402,807
2022	148,207	54,733	202,940	166,396	32,659	199,055	-	-	-	314,603	87,392	401,995
2023	153,596	48,847	202,443	118,095	26,955	145,050	-	-	-	271,691	75,802	347,493
2024	161,680	42,540	204,220	123,028	22,107	145,135	-	-	-	284,708	64,647	349,355
2025	167,070	35,799	202,869	128,927	17,039	145,966	-	-	-	295,997	52,838	348,835
2026	175,154	28,654	203,808	134,827	11,730	146,557	-	-	-	309,981	40,384	350,365
2027	183,238	21,036	204,274	109,742	6,821	116,563	-	-	-	292,980	27,857	320,837
2028	191,322	12,935	204,257	115,674	2,313	117,987	-	-	-	306,996	15,248	322,244
2029	199,406	4,386	203,792	-	-	-	-	-	-	199,406	4,386	203,792
	\$ 3,140,408	\$ 1,197,343	\$ 4,337,751	\$ 5,616,443	\$ 1,433,905	\$ 7,050,348	\$ 61,086	\$ 4,018	\$ 65,104	\$ 8,817,937	\$ 2,635,266	\$ 11,453,203

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Municipal Airport

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

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

Fiscal Year Sep. 30,	Certificates of Obligation			General Obligation Bonds			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 12,081	\$ 3,249	\$ 15,330	\$ 33,017	\$ 12,627	\$ 45,644	\$ 45,098	\$ 36,266	\$ 81,364
2012	12,586	2,571	15,157	29,049	11,434	40,483	41,635	31,620	73,255
2013	17,586	1,753	19,339	27,195	10,353	37,548	44,781	28,948	73,729
2014	10,000	950	10,950	27,830	9,293	37,123	37,830	28,780	66,610
2015	10,000	318	10,318	29,726	8,181	37,907	39,726	30,044	69,770
2016	-	-	-	30,178	7,022	37,200	30,178	30,178	60,356
2017	-	-	-	31,113	5,836	36,949	31,113	31,113	62,226
2018	-	-	-	37,997	4,495	42,492	37,997	37,997	75,994
2019	-	-	-	25,834	3,251	29,085	25,834	25,834	51,668
2020	-	-	-	26,686	2,225	28,911	26,686	26,686	53,372
2021	-	-	-	12,138	1,462	13,600	12,138	12,138	24,276
2022	-	-	-	12,620	967	13,587	12,620	12,620	25,240
2023	-	-	-	4,100	630	4,730	4,100	4,100	8,200
2024	-	-	-	4,180	460	4,640	4,180	4,180	8,360
2025	-	-	-	4,421	284	4,705	4,421	4,421	8,842
2026	-	-	-	4,662	96	4,758	4,662	4,662	9,324
2027	-	-	-	-	-	-	-	-	-
	\$ 62,253	\$ 8,840	\$ 71,093	\$ 340,746	\$ 78,616	\$ 419,362	\$ 402,999	\$ 349,586	\$ 752,585

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
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Solid Waste Utility

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

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

Fiscal Year Sep. 30,	Certificates of Obligation			General Obligation Bonds			Tax Notes			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 134,150	\$ 35,601	\$ 169,751	\$ 183,249	\$ 79,887	\$ 263,136	\$ 95,000	\$ 12,640	\$ 107,640	\$ 412,399	\$ 128,128	\$ 540,527
2012	141,787	29,467	171,254	154,871	73,344	228,215	95,000	9,600	104,600	391,658	112,411	504,069
2013	145,677	23,338	169,015	147,318	67,504	214,822	100,000	6,560	106,560	392,995	97,402	490,397
2014	93,360	18,361	111,721	161,077	61,520	222,597	105,000	3,360	108,360	359,437	83,241	442,678
2015	97,250	14,549	111,799	175,947	54,955	230,902	-	-	-	273,197	69,504	342,701
2016	101,140	10,581	111,721	178,015	48,055	226,070	-	-	-	279,155	58,636	337,791
2017	105,030	6,457	111,487	184,148	40,996	225,144	-	-	-	289,178	47,453	336,631
2018	108,920	2,178	111,098	240,129	32,698	272,827	-	-	-	349,049	34,876	383,925
2019	-	-	-	170,237	24,642	194,879	-	-	-	170,237	24,642	194,879
2020	-	-	-	175,995	17,832	193,827	-	-	-	175,995	17,832	193,827
2021	-	-	-	102,332	12,323	114,655	-	-	-	102,332	12,323	114,655
2022	-	-	-	106,398	8,149	114,547	-	-	-	106,398	8,149	114,547
2023	-	-	-	34,562	5,312	39,874	-	-	-	34,562	5,312	39,874
2024	-	-	-	35,240	3,881	39,121	-	-	-	35,240	3,881	39,121
2025	-	-	-	37,273	2,390	39,663	-	-	-	37,273	2,390	39,663
2026	-	-	-	39,306	811	40,117	-	-	-	39,306	811	40,117
2027	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 927,314</u>	<u>\$ 140,532</u>	<u>\$ 1,067,846</u>	<u>\$ 2,126,097</u>	<u>\$ 534,299</u>	<u>\$ 2,660,396</u>	<u>\$ 395,000</u>	<u>\$ 32,160</u>	<u>\$ 427,160</u>	<u>\$ 3,448,411</u>	<u>\$ 706,991</u>	<u>\$ 4,155,402</u>

City of Gainesville, Texas
Notes to Basic Financial Statements
September 30, 2010

Stormwater Utility – Stormwater long-term debt consists of general obligation bonds issued in 2002 and certificates of obligation bonds issued in 2001, which are being repaid with Stormwater Utility Fund surplus net revenues.

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

Fiscal Year Sep. 30,	General Obligation Bonds			Certificates of Obligation			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	264,611	197,380	461,991	3,701	7,639	11,340	268,312	205,019	473,331
2012	263,672	186,418	450,090	13,175	7,718	20,893	276,847	194,136	470,983
2013	275,095	175,407	450,502	13,174	7,401	20,575	288,269	182,808	471,077
2014	297,037	163,622	460,659	9,428	7,140	16,568	306,465	170,762	477,227
2015	316,673	150,886	467,559	9,648	6,935	16,583	326,321	157,821	484,142
2016	328,544	137,390	465,934	9,867	6,691	16,558	338,411	144,081	482,492
2017	344,357	123,196	467,553	10,086	6,407	16,493	354,443	129,603	484,046
2018	265,958	110,584	376,542	10,525	6,082	16,607	276,483	116,666	393,149
2019	255,135	100,163	355,298	10,963	5,716	16,679	266,098	105,879	371,977
2020	264,498	89,770	354,268	11,182	5,323	16,505	275,680	95,093	370,773
2021	266,121	79,157	345,278	11,621	4,904	16,525	277,742	84,061	361,803
2022	275,485	68,324	343,809	12,059	4,454	16,513	287,544	72,778	360,322
2023	241,369	57,978	299,347	12,498	3,975	16,473	253,867	61,953	315,820
2024	252,308	48,086	300,394	13,156	3,461	16,617	265,464	51,547	317,011
2025	264,024	37,735	301,759	13,594	2,911	16,505	277,618	40,646	318,264
2026	275,737	26,912	302,649	14,252	2,331	16,583	289,989	29,243	319,232
2027	260,258	16,179	276,437	14,910	1,711	16,621	275,168	17,890	293,058
2028	274,326	5,487	279,813	15,568	1,053	16,621	289,894	6,540	296,434
2029	-	-	-	16,225	357	16,582	16,225	357	16,582
	\$ 4,985,208	\$ 1,774,674	\$ 6,759,882	\$ 225,632	\$ 92,209	\$ 317,841	\$ 5,210,840	\$ 1,866,883	\$ 7,077,723

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
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Municipal Golf Course – Municipal Golf Course long-term debt consists of general obligation bonds, certificates of obligation bonds, and a capital lease, which are being repaid with Municipal Golf Course

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

Fiscal Year Sep. 30,	General Obligation Bonds			Certificates of Obligation			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 5,718	\$ 3,445	\$ 9,163	\$ 1,769	\$ 227	\$ 1,996	\$ 7,487	\$ 3,672	\$ 11,159
2012	4,214	3,249	7,463	1,897	133	2,030	6,111	3,382	9,493
2013	4,245	3,082	7,327	1,897	45	1,942	6,142	3,127	9,269
2014	5,669	2,887	8,556	-	-	-	5,669	2,887	8,556
2015	6,555	2,643	9,198	-	-	-	6,555	2,643	9,198
2016	6,577	2,383	8,960	-	-	-	6,577	2,383	8,960
2017	6,860	2,116	8,976	-	-	-	6,860	2,116	8,976
2018	10,334	1,775	12,109	-	-	-	10,334	1,775	12,109
2019	7,922	1,411	9,333	-	-	-	7,922	1,411	9,333
2020	8,201	1,089	9,290	-	-	-	8,201	1,089	9,290
2021	6,591	794	7,385	-	-	-	6,591	794	7,385
2022	6,853	525	7,378	-	-	-	6,853	525	7,378
2023	2,226	342	2,568	-	-	-	2,226	342	2,568
2024	2,270	250	2,520	-	-	-	2,270	250	2,520
2025	2,401	154	2,555	-	-	-	2,401	154	2,555
2026	2,533	52	2,585	-	-	-	2,533	52	2,585
	\$ 89,169	\$ 26,197	\$ 115,366	\$ 5,563	\$ 405	\$ 5,968	\$ 94,732	\$ 26,602	\$ 121,334

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

3. **Defeased Debt**

On February 15, 2005, the City issued 2005 General Obligation Refunding Bonds in the amount of \$6,357,000, with interest rates of 3.8% to refund the Combination Tax & Solid Waste System Revenue Certificates of Obligation, Series 1994 in the amount of \$675,000, Certificates of Obligation Bonds Series 1998 in the amount of \$4,935,000, and Combination Tax & Solid Waste Surplus Revenue Certificates of Obligation Series 1999 in the amount of \$425,000. The reacquisition price exceed the net carrying amount of the old debt by \$322,000. This amount will be amortized over the remaining life of the new debt issued. The refunding was undertaken to reduce total debt service payments by \$2,152,627 and resulted in a net present value savings of \$1,606,416. On September 30, 2010, the outstanding balance of bonds considered defeased is \$5,310,000.

On December 15, 2006, the City issued 2007 General Obligation Refunding Bonds in the amount of \$9,865,000, with interest rates of 4% to 4.125% to refund the Combination Tax & Revenue Certificates of Obligation, Series 1996 in the amount of \$758,142.86 and the partially refund General Obligation Bonds Series 1998 in the amount of \$2,065,000, Combination Tax & Limited Pledge Revenue Certificates of Obligation Series 2000 in the amount of \$1,165,000, Combination Tax & Revenue Certificates of Obligation Series 2001 in the amount of \$3,005,000, Combination Tax & Revenue Certificates of Obligation Series 2002 in the amount of \$590,000 and General Obligation Bonds Series 2002 in the amount of \$2,080,000. The reacquisition price exceed the net carrying amount of the old debt by \$316,857. This amount will be amortized over the remaining life of the new debt issued. The refunding was undertaken to reduce total debt service payments by \$589,914 and resulted in a net present value savings of \$383,483. On September 30, 2010, the outstanding balance of bonds considered defeased is \$8,994,105.

5. **Landfill Closure and Postclosure Care Costs**

State and federal laws and regulations require that the City place a final cover on its municipal landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the landfill site for thirty years-after-closure. The City's landfill was considered full September 30, 1994. The estimated total cost of the landfill closure and postclosure care costs of \$1,075,000 recognized at September 30, 1993, was based on an amount that would be paid if all services required to close, monitor, and maintain the landfill were incurred as of September 30, 1993. However, the actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. In recent years, the postclosure liability has been increased to adjust for inflation. The balance of the liability at September 30, 2010 was \$592,028 of which \$30,000 is considered as a current liability. The change in the postclosure care costs liability for the fiscal year ended September 30, 2010 was \$43,025.

G. Compensated Absences

The activity related to compensated absences is as follows:

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

	Compensated Absences 10/1/2009	Earned	Used	Compensated Absences 9/30/2010	Current Portion
Governmental Funds	\$ 552,497	\$ 289,438	\$ 274,770	\$ 567,165	\$ 290,000
Proprietary Funds:					
Water & Sewer	58,373	35,662	30,713	63,322	31,000
Airport Fund	3,314	2,645	2,618	3,341	2,600
Stormwater Utility	6,930	1,985	767	8,148	2,500
Solid Waste	36,518	14,215	12,762	37,971	15,000
Golf Course	9,446	6,898	8,253	8,091	3,500
	<u>\$ 667,078</u>	<u>\$ 350,843</u>	<u>\$ 329,883</u>	<u>\$ 688,038</u>	<u>\$ 344,600</u>

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

H. Fund Equity and Net Assets

1. Reserved Fund Equity

Reservations of fund equity show amounts that are not available for expenditure or are legally restricted for specific uses. The purpose for each reserve is indicated by the account title on the face of the balance sheet for the governmental fund financial statements.

2. Designated Fund Equity

Designations of fund equity are used to show the amounts within unreserved fund balance for governmental funds that are intended to be used for specific purposes and reflect tentative managerial plans but are not legally restricted.

3. Net Assets: Invested in Capital Assets, Net of Related Debt

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

4. Net Assets: Restricted for Debt Service

This component of net assets is reported in the proprietary fund financial statements and in the government-wide financial statements. It represents the difference between assets and liabilities of the debt service funds that consists of assets with constraints placed on their use by the bond covenants.

5. Net Assets: Unrestricted

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

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

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. During fiscal 2010, the City was covered under a general liability insurance policy plan with a combined single limit of \$1 million at a cost it considered being economically justifiable.

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

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

B. Contingent Liabilities

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

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

C. Contracts

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

Greater Texoma Utility Authority (GTUA) – In October, 1985, the City entered into an agreement with GTUA, whereby GTUA agreed to issue revenue bonds and to pay, when combined with other funds or property, the cost to complete improvements to the City's existing wastewater treatment plant and, further, to provide the City's share of EPA construction grant funds to expand the capacity of the existing treatment plant. GTUA subsequently issued \$6,000,000 in contract revenue bonds, series 1985-B, for the purpose stated above. The City has agreed and is obligated to GTUA to make payments from pledged revenues of the Water and Sewer enterprise fund in amounts sufficient to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due.

The audited financial statements of the year ended September 30, 2010, for GTUA, issued by the GTUA's independent auditors, reflected total assets for the City projects as \$5,186,621, liabilities of \$4,508,169 and total net assets of \$678,452. Additionally, total revenues and expenses for the City's projects were \$946,269 and \$605,128, respectively. Revenues, as reported, included investment income of \$8,028.

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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

In fiscal year 2003, GTUA issued \$1,035,000 in Gainesville Contract Revenue Bonds having an interest rate of .75 to 4.4%. The City has agreed and is obligated to GTUA to make payments from pledged revenues of the Water and Sewer enterprise fund in amounts sufficient to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due. The balance outstanding at September 30, 2010, was \$790,000.

In fiscal year 2003, the GTUA issued \$1,030,000 in Gainesville Contract Revenue Bonds having an interest rate of 2.9 to 5.95%. The City has agreed and is obligated to GTUA to make payments from pledged revenues of the Water and Sewer enterprise fund in amounts sufficient to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due. The balance outstanding at September 30, 2010, was \$970,000.

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

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

Fiscal Years Ending September 30,	Principal	Interest	Amount
2011	720,000	147,526	867,526
2012	745,000	118,712	863,712
2013	765,000	101,877	866,877
2014	295,000	88,951	383,951
2015	305,000	80,032	385,032
2016-2020	1,210,000	254,903	1,464,903
2021-2023	550,000	42,468	592,468
	<u>\$ 4,590,000</u>	<u>\$ 834,469</u>	<u>\$ 5,424,469</u>

The debt obligation for GTUA's revenue bonds is not reflected in the City's financial statements and is presented for disclosure purposes only. The liability for the debt obligation, however, is separately presented in the publicly available September 30, 2010, financial statements of GTUA.

Lake Texoma Reallocation Project – GTUA facilitated the issuance of bonds to finance acquisition of water storage rights in Lake Texoma. The Lake Texoma Reallocation Project is comprised of the cities of Collinsville, Denison, Gainesville, Gunter, Lindsay, Pottsboro, Sherman, Southmayd, Whitesboro and the special utility districts of Marilee, Northwest Grayson County, Two Way Water and Red River Authority. Revenues from the City are pledged to secure the bond debt. The debt obligation for GTUA's revenue bonds is not reflected in the City's financial statements and is presented for disclosure purposes only. The liability for the debt obligation, however, is separately presented in the publicly available September 30, 2010, financial statements of GTUA.

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

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SEPTEMBER 30, 2010

Fiscal Years Ending September 30,	Principal	Interest	Amount
2011	143,693	69,871	213,564
2012	185,829	67,982	253,811
2013	190,150	67,982	258,132
2014	194,472	67,982	262,454
2015	199,874	67,982	267,856
2016-2020	1,076,080	323,354	1,399,434
2021-2025	1,218,691	242,274	1,460,965
2026-2030	1,378,590	102,800	1,481,390
	<u>\$ 4,587,379</u>	<u>\$ 1,010,227</u>	<u>\$ 5,597,606</u>

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

D. Construction Commitments

None

E. Related Organizations

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

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

F. Jointly Governed Organizations

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

Greater Texoma Utility Authority – The Greater Texoma Utility Authority (GTUA) is a political subdivision of the State of Texas and was created to assist incorporated cities, towns or villages to develop water, sewer and solid waste facilities. Initially, the GTUA was comprised of all the territory that is contained within the corporate boundaries of Sherman and Denison, Texas.

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Subsequent to the creation of the GTUA, in 1979, several other cities, including the City of Gainesville, have been annexed into the Authority. The City is contractually obligated to make sufficient payments to the GTUA, recognized as operating expenses by the City and as revenues by the GTUA, for the redemption and payment of the City's portion of certain GTUA revenue bonds as they become due. The cities of Sherman and Denison have the right to appoint three members each to the GTUA's nine member Board of Directors. The City of Gainesville currently appoints one member of the Board. The City has limited governing ability over the GTUA.

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

G. Joint Ventures

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

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

Each member government appoints one member to serve on the Board of Directors of TASWA. Neither of the governments represents a voting majority on the Board; however, the Cities retain an ongoing financial responsibility to TASWA. Bonds issued in April 2004 by TASWA are secured by contractual payments to be made by the Cities to TASWA for solid waste disposal. The Cities have pledged to deliver a guaranteed annual tonnage to the Facility, based on each City's respective waste volume history. During the fiscal year-end June 30, 2008, an additional \$2,415,000 was issued to construct sector II of the landfill. At TASWA's fiscal year-end, June 30, 2004, the City's guaranteed proportionate share was 28.7%. TASWA may encourage the delivery of waste from other entities. This would allow TASWA to fund additional reserves and possibly lower the tip fees to the Cities. The outstanding balance of TASWA's bonds at June 30, 2010, was \$18,735,000. Financial statements and other information may be obtained by contacting TASWA's business office, P.O. Box 249, Whitesboro, Texas 76273.

H. Pension Plan

1. Texas Municipal Retirement System

Pension Trust Fund

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

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

	Plan Year 2009	Plan Year 2010
Employee Deposit Rate	5%	5%
Matching ration (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibilitiy (expressed as age/year of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating	100% Repeating
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

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

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

	9/30/2010	9/30/2009	9/30/2008
Annual Required Contribution (ARC)	\$ 985,648	\$ 821,943	\$ 727,930
Contributions Made	\$ 985,648	\$ 821,943	\$ 727,930

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009 also follows:

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Valuation Date	12/31/2007	12/31/2008	12/31/2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
Remaining Amortization Period	30 years: closed period	29 years: closed period	28 years: closed period
Amortization Period for new Gains/Losses	30 Years	29 Years	28 Years
Asset Valuation Method	amortized cost	amortized cost	10-Year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7%	7.50%	7.50%
Projected Salary Increases *	Varies by age & service	Varies by age & service	Varies by age & service
*Includes Inflation at	3%	3%	3%
Cost-of-living adjustments	2.10%	2.10%	2.10%

The funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2009	13,399,998	22,442,481	59.71%	9,042,483	9,720,776	93.02%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Supplemental Death Benefits Fund

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

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

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

Schedule of Contribution Rates:

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Calendar Year	Annual Required Contribution	Actual Contribution Made	Percentage of ARC Contributed
2008	3.0%	3.0%	100%
2009	2.7%	2.7%	100%
2010	2.5%	2.5%	100%

2. Texas Emergency Services Retirement System (TESRS)

Plan Description – The Fire Fighter’s Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2010, there were 209 member fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2010, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	2,231
Terminated Participants Entitled to Benefits but Not Yet Receiving Them	2,106
Active Participants (Vested and Nonvested)	4,371
Total	8,708

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

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

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

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

Annual Required Contributions – The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2010, total contributions (dues and prior service) of

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

\$2,875,103 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state did not appropriate any maximum state contribution for the fiscal years ending August 31, 2010 and 2011. Total contributions made were equal to the contributions required by the state statute and were equal to the contributions required based on the revised August 31, 2008 actuarial valuation.

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

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Actuarial assumptions and methods as of the latest actuarial valuation follows:

Actuarial Valuation Date	<u>8/31/2010</u>
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar Open
Amortization Period	30 Years
Asset Valuation Method	Market Value Smoothed by a 5-year Deferred Recognition Method with a 80%-120% Corridor on Market Value
Investment Rate of Return	7.75% Per Year, Net of Investment Expenses
Projected Salary Increases	N/A
Includes Inflation At-	3.50%
Cost-of-Living Adjustments	None

I. Subsequent Events

The City's management has evaluated subsequent events through February 7, 2011, the date which the financial statements were available for issue.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF GAINESVILLE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2010

Texas Municipal Retirement System

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2007	11,920,532	20,320,481	8,399,949	58.7%	9,266,398	90.6%
12/31/2008	12,398,695	21,209,597	8,810,902	58.5%	9,661,222	91.2%
12/31/2009	13,399,998	22,442,481	9,042,483	59.7%	9,720,776	93.0%

Texas Emergency Services Retirement System

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Total Members	UAAL Per Member Covered
8/31/2006	42,268,305	58,082,828	15,814,523	72.8%	8,061	1,962
8/31/2008	60,987,157	64,227,341	3,240,184	95.0%	8,254	393
8/31/2010	64,113,803	79,953,215	15,839,412	80.2%	8,708	1,819

Three-Year Trend Information:

Fiscal Year Ending	Annual Required Contributions (ARC)	Annual Contributions	Percentage of ARC Contributed
8/31/2005	\$ 3,206,300	\$ 1,606,759	50%
8/31/2006	2,753,035	2,753,035	100%
8/31/2007	3,162,742	3,162,742	100%
8/31/2008	3,160,764	11,239,339	356%
8/31/2009	2,698,271	2,698,271	100%
8/31/2010	2,875,103	2,875,103	100%

Combining Fund Financial Statements

CITY OF GAINESVILLE, TEXAS
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	SPECIAL			
	LAW ENFORCEMENT OFFICER EDUCATION	MUNICIPAL COURT TECHNOLOGY	MUNICIPAL COURT SECURITY	HOTEL/ MOTEL
ASSETS:				
Cash	\$ 13,705	\$ 12,843	\$ 22,986	\$ 178,861
Restricted Cash	-	-	-	-
Receivables (Net of Allowances for Uncollectibles)				
Taxes	-	-	-	-
Other	-	4	3	41,085
Inventory	-	-	-	-
Interfund Receivables	-	-	-	-
TOTAL ASSETS	\$ 13,705	\$ 12,847	\$ 22,989	\$ 219,946
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable	\$ 772	\$ 118	\$ -	\$ 26,745
Deferred Revenues	-	-	-	-
Interfund Payable	-	-	-	-
TOTAL LIABILITIES	772	118	-	26,745
FUND BALANCES:				
RESERVED FOR:				
Reserved for Inventories	-	-	-	-
Reserved for Construction	-	-	-	-
Reserved for Debt Service	-	-	-	-
Reserved for Permanent Endowment	-	-	-	-
UNRESERVED, REPORTED IN:				
General Fund	-	-	-	-
Special Revenue Funds	12,933	12,729	22,989	193,201
Capital Project Fund	-	-	-	-
TOTAL FUND BALANCES	12,933	12,729	22,989	193,201
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,705	\$ 12,847	\$ 22,989	\$ 219,946

REVENUE FUNDS

<u>G.I.V.E.</u>	<u>JUVENILE CASE MANAGER</u>	<u>MEDAL OF HONOR</u>	<u>CITY ATHLETIC FIELDS</u>	<u>STANFORD HOUSE</u>	<u>POLICE GRANTS</u>
\$ 893	\$ 4,231	\$ 169	\$ 18,224	\$ 200,221	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
121	5	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,014</u>	<u>\$ 4,236</u>	<u>\$ 169</u>	<u>\$ 18,224</u>	<u>\$ 200,221</u>	<u>\$ -</u>
\$ 893	\$ -	\$ 169	\$ 1,398	\$ 43,045	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>893</u>	<u>-</u>	<u>169</u>	<u>1,398</u>	<u>43,045</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
121	4,236	-	16,826	157,176	-
-	-	-	-	-	-
<u>121</u>	<u>4,236</u>	<u>-</u>	<u>16,826</u>	<u>157,176</u>	<u>-</u>
<u>\$ 1,014</u>	<u>\$ 4,236</u>	<u>\$ 169</u>	<u>\$ 18,224</u>	<u>\$ 200,221</u>	<u>\$ -</u>

CITY OF GAINESVILLE, TEXAS
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	<u>SPECIAL REVENUE FUNDS</u>			<u>CAPITAL</u>
	<u>FEDERAL SEIZURE FUND</u>	<u>STATE SEIZURE FUND</u>	<u>FRANK BUCK ZOO</u>	<u>FINANCED CAPITAL PROJECTS</u>
ASSETS:				
Cash	\$ 2,930	\$ 14,752	\$ 396	\$ 28,966
Restricted Cash	-	-	-	-
Receivables (Net of Allowances for Uncollectibles)	-	-	-	-
Taxes	-	-	-	-
Other	-	-	2	-
Inventory	-	-	-	-
Interfund Receivables	-	-	-	-
TOTAL ASSETS	<u>\$ 2,930</u>	<u>\$ 14,752</u>	<u>\$ 398</u>	<u>\$ 28,966</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable	\$ -	\$ 2,152	\$ 50,559	\$ -
Deferred Revenues	-	-	-	-
Interfund Payable	-	-	299,000	22,000
TOTAL LIABILITIES	<u>-</u>	<u>2,152</u>	<u>349,559</u>	<u>22,000</u>
FUND BALANCES:				
RESERVED FOR:				
Reserved for Inventories	-	-	-	-
Reserved for Construction	-	-	-	6,966
Reserved for Debt Service	-	-	-	-
Reserved for Permanent Endowment	-	-	-	-
UNRESERVED, REPORTED IN:				
General Fund	-	-	-	-
Special Revenue Funds	2,930	12,600	(349,161)	-
Capital Project Fund	-	-	-	-
TOTAL FUND BALANCES	<u>2,930</u>	<u>12,600</u>	<u>(349,161)</u>	<u>6,966</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,930</u>	<u>\$ 14,752</u>	<u>\$ 398</u>	<u>\$ 28,966</u>

<u>PROJECTS</u>		<u>PERMANENT FUNDS</u>		
<u>CAPITAL PROJECTS FUND</u>		<u>CEMETERY PERMANENT</u>	<u>COHEN SCHOLARSHIP</u>	<u>TOTAL</u>
\$	1,033	\$ 1,238,248	\$ 12,143	\$ 1,750,601
	-	-	-	-
	-	-	-	-
	-	2,954	-	44,174
	-	-	-	-
	-	-	-	-
<u>\$</u>	<u>1,033</u>	<u>\$ 1,241,202</u>	<u>\$ 12,143</u>	<u>\$ 1,794,775</u>
\$	-	\$ -	\$ -	\$ 125,851
	-	-	-	-
	-	-	-	321,000
	-	-	-	446,851
	-	-	-	-
	1,033	-	-	7,999
	-	-	-	-
	-	1,241,202	12,143	1,253,345
	-	-	-	-
	-	-	-	86,580
	-	-	-	-
<u>1,033</u>	<u>1,241,202</u>	<u>12,143</u>	<u>1,347,924</u>	
<u>\$ 1,033</u>	<u>\$ 1,241,202</u>	<u>\$ 12,143</u>	<u>\$ 1,794,775</u>	

CITY OF GAINESVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	SPECIAL REVENUE FUNDS			
	LAW ENFORCE. OFFICER EDUCATION	MUNICIPAL COURT TECH.	MUNICIPAL COURT SECURITY	HOTEL/ MOTEL
REVENUES				
Taxes:				
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Other Local Fees	-	-	-	461,409
Service Charges	-	-	-	-
License & Permits	-	-	-	-
Fines & Forfeitures	-	11,913	8,925	-
Investment Income	115	80	104	1,451
Intergovernmental Revenues	3,361	-	-	-
Other Income	-	-	-	-
TOTAL REVENUES	<u>3,476</u>	<u>11,993</u>	<u>9,029</u>	<u>462,860</u>
EXPENDITURES				
Current:				
General Government	-	-	-	152,995
Community Development	-	-	-	-
Finance	-	-	-	-
Public Safety	15,954	19,972	1,622	-
Public Works	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
Capital Outlay	-	-	515	93,266
TOTAL EXPENDITURES	<u>15,954</u>	<u>19,972</u>	<u>2,137</u>	<u>246,261</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(12,478)</u>	<u>(7,979)</u>	<u>6,892</u>	<u>216,599</u>
OTHER FINANCING SOURCES (USES):				
Issuance of Debt	-	-	-	-
Funds Transferred In	-	-	-	-
Funds Transferred Out	-	-	-	(717,101)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(717,101)</u>
NET CHANGE IN FUND BALANCES	(12,478)	(7,979)	6,892	(500,502)
FUND BALANCE - October 1	25,411	20,708	16,097	693,703
FUND BALANCE - September 30	<u>\$ 12,933</u>	<u>\$ 12,729</u>	<u>\$ 22,989</u>	<u>\$ 193,201</u>

G.I.V.E	JUVENILE CASE MANAGER	MEDAL OF HONOR	CITY ATHLETIC FIELDS	STANFORD HOUSE	POLICE GRANTS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	16,060	12,031	-
-	-	-	-	-	-
-	4,233	-	-	-	-
8	3	18	37	5,237	-
-	-	-	-	-	116,496
2,276	-	40,510	-	89,199	-
<u>2,284</u>	<u>4,236</u>	<u>40,528</u>	<u>16,097</u>	<u>106,467</u>	<u>116,496</u>
2,536	-	40,528	-	81,732	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	37,211
-	-	-	7,337	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	22,434	-	79,285
<u>2,536</u>	<u>-</u>	<u>40,528</u>	<u>29,771</u>	<u>81,732</u>	<u>116,496</u>
(252)	4,236	-	(13,674)	24,735	-
-	-	-	-	-	-
-	-	-	3,660	-	-
<u>(5,199)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(5,199)	-	-	3,660	-	-
(5,451)	4,236	-	(10,014)	24,735	-
5,572	-	-	26,840	132,441	-
<u>\$ 121</u>	<u>\$ 4,236</u>	<u>\$ -</u>	<u>\$ 16,826</u>	<u>\$ 157,176</u>	<u>\$ -</u>

CITY OF GAINESVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	SPECIAL REVENUE FUNDS			CAPITAL
	FEDERAL SEIZURE FUND	STATE SEIZURE FUND	FRANK BUCK ZOO	FINANCED CAPITAL PROJECTS
REVENUES				
Taxes:				
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Other Local Fees	-	-	-	-
Service Charges	-	-	437,389	-
License & Permits	-	-	-	-
Fines & Forfeitures	-	-	-	-
Investment Income	16	206	-	261
Intergovernmental Revenues	-	-	-	-
Other Income	-	20,694	45	-
TOTAL REVENUES	<u>16</u>	<u>20,900</u>	<u>437,434</u>	<u>261</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Community Development	-	-	-	-
Finance	-	-	-	-
Public Safety	-	34,635	-	-
Public Works	-	-	938,872	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
Capital Outlay	-	17,344	-	95,038
TOTAL EXPENDITURES	<u>-</u>	<u>51,979</u>	<u>938,872</u>	<u>95,038</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>16</u>	<u>(31,079)</u>	<u>(501,438)</u>	<u>(94,777)</u>
OTHER FINANCING SOURCES (USES):				
Issuance of Debt	-	-	-	-
Funds Transferred In	-	-	791,527	28,611
Funds Transferred Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>791,527</u>	<u>28,611</u>
NET CHANGE IN FUND BALANCES	16	(31,079)	290,089	(66,166)
FUND BALANCE - October 1	2,914	43,679	(639,250)	73,132
FUND BALANCE - September 30	<u>\$ 2,930</u>	<u>\$ 12,600</u>	<u>\$ (349,161)</u>	<u>\$ 6,966</u>

<u>PROJECTS FUNDS</u>		<u>PERMANENT FUNDS</u>		
<u>CAPITAL PROJECTS FUND</u>	<u>CEMETERY PERMANENT</u>	<u>COHEN SCHOLARSHIP</u>	<u>TOTAL</u>	
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	461,409
-	-	-	-	465,480
-	-	-	-	-
-	-	-	-	25,071
33	11,882	23		19,474
-	-	-	-	119,857
-	32,315	-	-	185,039
<u>33</u>	<u>44,197</u>	<u>23</u>		<u>1,276,330</u>
-	-	-	-	277,791
-	-	-	-	-
-	-	-	-	-
-	-	-	-	109,394
-	-	-	-	946,209
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
84,000	-	-	-	391,882
<u>84,000</u>	<u>-</u>	<u>-</u>		<u>1,725,276</u>
(83,967)	44,197	23		(448,946)
-	-	-	-	-
-	-	-	-	823,798
-	(11,882)	-	-	(734,182)
-	(11,882)	-	-	89,616
(83,967)	32,315	23		(359,330)
85,000	1,208,887	12,120		1,707,254
<u>\$ 1,033</u>	<u>\$ 1,241,202</u>	<u>\$ 12,143</u>		<u>\$ 1,347,924</u>

Budgetary Comparison Schedules

Nonmajor Governmental Funds

CITY OF GAINESVILLE, TEXAS
LAW OFFICER EDUCATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>BUDGET</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Intergovernmental Revenues	\$ 3,314	\$ 3,361	\$ 3,361	\$ -
Investment Income	125	65	115	50
Other Income	-	-	-	-
TOTAL REVENUES	<u>3,439</u>	<u>3,426</u>	<u>3,476</u>	<u>50</u>
EXPENDITURES				
Current:				
Public Safety	<u>3,314</u>	<u>14,950</u>	<u>15,954</u>	<u>(1,004)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>125</u>	<u>(11,524)</u>	<u>(12,478)</u>	<u>(954)</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>125</u>	<u>(11,524)</u>	<u>(12,478)</u>	<u>(954)</u>
FUND BALANCE - October 1	<u>25,411</u>	<u>25,411</u>	<u>25,411</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 25,536</u>	<u>\$ 13,887</u>	<u>\$ 12,933</u>	<u>\$ (954)</u>

CITY OF GAINESVILLE, TEXAS
MUNICIPAL COURT TECHNOLOGY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines & Forfeitures	\$ 13,000	\$ 13,000	\$ 11,913	\$ (1,087)
Investment Income	100	-	80	80
Other Income	-	-	-	-
TOTAL REVENUES	<u>13,100</u>	<u>13,000</u>	<u>11,993</u>	<u>(1,007)</u>
EXPENDITURES				
Current:				
Public Safety	<u>11,150</u>	<u>5,400</u>	<u>19,972</u>	<u>(14,572)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,950</u>	<u>7,600</u>	<u>(7,979)</u>	<u>(15,579)</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,950	7,600	(7,979)	(15,579)
FUND BALANCE - October 1	<u>20,708</u>	<u>20,708</u>	<u>20,708</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 22,658</u>	<u>\$ 28,308</u>	<u>\$ 12,729</u>	<u>\$ (15,579)</u>

CITY OF GAINESVILLE, TEXAS
MUNICIPAL COURT SECURITY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines & Forfeitures	\$ 11,000	\$ 11,000	\$ 8,925	\$ (2,075)
Investment Income	185	-	104	104
Other Income	-	-	-	-
TOTAL REVENUES	<u>11,185</u>	<u>11,000</u>	<u>9,029</u>	<u>(1,971)</u>
EXPENDITURES				
Current:				
Public Safety	9,800	1,200	1,622	(422)
Capital Outlay	-	1,000	515	485
TOTAL EXPENDITURES	<u>9,800</u>	<u>2,200</u>	<u>2,137</u>	<u>63</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,385</u>	<u>8,800</u>	<u>6,892</u>	<u>(1,908)</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>1,385</u>	<u>8,800</u>	<u>6,892</u>	<u>(1,908)</u>
FUND BALANCE - October 1	<u>16,097</u>	<u>16,097</u>	<u>16,097</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 17,482</u>	<u>\$ 24,897</u>	<u>\$ 22,989</u>	<u>\$ (1,908)</u>

CITY OF GAINESVILLE, TEXAS
HOTEL/MOTEL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Other Local Taxes	\$ 392,300	\$ 392,300	\$ 461,409	\$ 69,109
Investment Income	2,500	2,500	1,451	(1,049)
Other Income	25,000	-	-	-
TOTAL REVENUES	<u>419,800</u>	<u>394,800</u>	<u>462,860</u>	<u>68,060</u>
EXPENDITURES				
Current:				
General Government	152,995	152,995	152,995	-
Capital Outlay	95,000	95,000	93,266	1,734
TOTAL EXPENDITURES	<u>247,995</u>	<u>247,995</u>	<u>246,261</u>	<u>1,734</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>171,805</u>	<u>146,805</u>	<u>216,599</u>	<u>69,794</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	(287,950)	(717,101)	(717,101)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(287,950)</u>	<u>(717,101)</u>	<u>(717,101)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(116,145)</u>	<u>(570,296)</u>	<u>(500,502)</u>	<u>69,794</u>
FUND BALANCE - October 1	<u>693,703</u>	<u>693,703</u>	<u>693,703</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 577,558</u>	<u>\$ 123,407</u>	<u>\$ 193,201</u>	<u>\$ 69,794</u>

CITY OF GAINESVILLE, TEXAS
G.I.V.E. FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ -
Investment Income	-	5	8	3
Other Income	2,172	2,173	2,276	103
TOTAL REVENUES	<u>2,172</u>	<u>2,178</u>	<u>2,284</u>	<u>106</u>
EXPENDITURES				
Current:				
General Government	<u>1,800</u>	<u>7,750</u>	<u>2,536</u>	<u>5,214</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>372</u>	<u>(5,572)</u>	<u>(252)</u>	<u>5,320</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred (Out)	-	-	(5,199)	5,199
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(5,199)</u>	<u>5,199</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>372</u>	<u>(5,572)</u>	<u>(5,451)</u>	<u>10,519</u>
FUND BALANCE - October 1	<u>5,572</u>	<u>5,572</u>	<u>5,572</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 5,944</u>	<u>\$ -</u>	<u>\$ 121</u>	<u>\$ 10,519</u>

CITY OF GAINESVILLE, TEXAS
FRANK BUCK ZOO FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Charges for Services	\$ 331,700	\$ 408,012	\$ 437,389	\$ 29,377
Investment Income	-	-	-	-
Other Income	-	450	45	(405)
TOTAL REVENUES	<u>331,700</u>	<u>408,462</u>	<u>437,434</u>	<u>28,972</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Works	997,776	970,296	938,872	31,424
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>997,776</u>	<u>970,296</u>	<u>938,872</u>	<u>31,424</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(666,076)</u>	<u>(561,834)</u>	<u>(501,438)</u>	<u>60,396</u>
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	-	-	-
Funds Transferred In	766,076	791,531	791,527	(4)
Funds Transferred Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>766,076</u>	<u>791,531</u>	<u>791,527</u>	<u>(4)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	100,000	229,697	290,089	60,392
FUND BALANCE - October 1	<u>(639,250)</u>	<u>(639,250)</u>	<u>(639,250)</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ (539,250)</u>	<u>\$ (409,553)</u>	<u>\$ (349,161)</u>	<u>\$ 60,392</u>

CITY OF GAINESVILLE, TEXAS
CITY ATHLETIC FIELDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Charges for Services	\$ -	\$ 16,000	\$ 16,060	\$ 60
Investment income	-	30	37	7
Other income	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>16,030</u>	<u>16,097</u>	<u>67</u>
EXPENDITURES				
Current:				
Public Works	-	4,000	7,337	(3,337)
Capital Outlay	-	22,000	22,434	(434)
TOTAL EXPENDITURES	<u>-</u>	<u>26,000</u>	<u>29,771</u>	<u>(3,771)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(9,970)</u>	<u>(13,674)</u>	<u>(3,704)</u>
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	3,660	3,660
Funds transferred (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>3,660</u>	<u>3,660</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>-</u>	<u>(9,970)</u>	<u>(10,014)</u>	<u>(44)</u>
FUND BALANCE -OCTOBER 1	<u>26,840</u>	<u>26,840</u>	<u>26,840</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 26,840</u>	<u>\$ 16,870</u>	<u>\$ 16,826</u>	<u>\$ (44)</u>

CITY OF GAINESVILLE, TEXAS
FEDERAL SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	7	16	16	-
Other income	-	-	-	-
TOTAL REVENUES	<u>7</u>	<u>16</u>	<u>16</u>	<u>-</u>
EXPENDITURES				
Current:				
Public-Works	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>7</u>	<u>16</u>	<u>16</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	-	-
Funds transferred (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>7</u>	<u>16</u>	<u>16</u>	<u>-</u>
FUND BALANCE -OCTOBER 1	<u>2,914</u>	<u>2,914</u>	<u>2,914</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 2,921</u>	<u>\$ 2,930</u>	<u>\$ 2,930</u>	<u>\$ -</u>

CITY OF GAINESVILLE, TEXAS
STATE SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>BUDGET</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	168	-	206	206
Other income	-	9,118	20,694	11,576
TOTAL REVENUES	<u>168</u>	<u>9,118</u>	<u>20,900</u>	<u>11,782</u>
EXPENDITURES				
Current:				
Public Safety	11,700	12,803	34,635	(21,832)
Capital Outlay	20,000	-	17,344	(17,344)
TOTAL EXPENDITURES	<u>31,700</u>	<u>12,803</u>	<u>51,979</u>	<u>(39,176)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(31,532)</u>	<u>(3,685)</u>	<u>(31,079)</u>	<u>(27,394)</u>
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	-	-
Funds transferred (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(31,532)</u>	<u>-</u>	<u>(31,079)</u>	<u>(27,394)</u>
FUND BALANCE -OCTOBER 1	<u>43,679</u>	<u>43,679</u>	<u>43,679</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 12,147</u>	<u>\$ 43,679</u>	<u>\$ 12,600</u>	<u>\$ (27,394)</u>

CITY OF GAINESVILLE, TEXAS
CEMETERY PERMANENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>BUDGET</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	25,000	7,950	11,882	3,932
Other income	31,840	31,840	32,315	475
TOTAL REVENUES	<u>56,840</u>	<u>39,790</u>	<u>44,197</u>	<u>4,407</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>56,840</u>	<u>39,790</u>	<u>44,197</u>	<u>4,407</u>
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	-	-
Funds transferred (out)	(25,000)	(7,950)	(11,882)	(3,932)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(25,000)</u>	<u>(7,950)</u>	<u>(11,882)</u>	<u>(3,932)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	31,840	31,840	32,315	475
FUND BALANCE -OCTOBER 1	<u>1,208,887</u>	<u>1,208,887</u>	<u>1,208,887</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 1,240,727</u>	<u>\$ 1,240,727</u>	<u>\$ 1,241,202</u>	<u>\$ 475</u>

CITY OF GAINESVILLE, TEXAS
COHEN SCHOLARSHIP PERMANENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	100	24	23	(1)
Other income	-	-	-	-
TOTAL REVENUES	<u>100</u>	<u>24</u>	<u>23</u>	<u>(1)</u>
EXPENDITURES				
Current:				
General government	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(400)</u>	<u>24</u>	<u>23</u>	<u>(1)</u>
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	-	-
Funds transferred (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(400)</u>	<u>24</u>	<u>23</u>	<u>(1)</u>
FUND BALANCE -OCTOBER 1	<u>12,120</u>	<u>12,120</u>	<u>12,120</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 11,720</u>	<u>\$ 12,144</u>	<u>\$ 12,143</u>	<u>\$ (1)</u>

Capital Assets
Used in the Operation
Of Governmental Funds

CITY OF GAINESVILLE, TEXAS
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
September 30, 2010

Governmental Funds Capital Assets:	
Land	\$ 920,036
Buildings	9,398,950
Improvements other than Building	77,232,017
Machinery and Equipment	5,478,434
Furniture and Fixtures	196,026
Office Machinery and Equipment	1,965,674
Construction in Progress	<u>540,451</u>
 Total Governmental Funds Capital Assets	 <u><u>\$ 95,731,588</u></u>
 Investment in Governmental Funds Capital Assets by Source:	
General Fund	\$ 76,732,318
Capital Project Funds	15,637,021
Special Revenue Funds	2,099,443
Permanent Funds	<u>1,262,806</u>
 Total Investment in Governmental Capital Assets	 <u><u>\$ 95,731,588</u></u>

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

CITY OF GAINESVILLE, TEXAS
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
September 30, 2010

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Furniture and Fixtures	Office Mach. and Equipment	Construction In Progress	Total
General Government:								
Administration	\$ 158,971	\$ 479,528	\$ -	\$ 12,854	\$ -	\$ 43,120	\$ -	\$ 694,473
Main Street Program	-	-	298,168	-	-	-	-	298,168
Building Operations	74,132	6,265,535	751,677	15,452	177,808	-	-	7,284,604
Civic Center Operations	-	1,499,717	156,328	1,674	-	-	-	1,657,719
Community Development	-	-	19,256	5,490	-	-	-	24,746
Finance	-	-	-	-	-	292,877	-	292,877
Total General Government	233,103	8,244,780	1,225,429	35,470	177,808	335,997	-	10,252,587
Public Safety:								
Police	-	272,352	28,608	1,107,090	18,218	1,464,734	-	2,891,002
Fire	-	118,788	-	1,857,880	-	97,999	-	2,074,667
Total Public Safety	-	391,140	28,608	2,964,970	18,218	1,562,733	-	4,965,669
Public Works:								
Administration	-	77,011	-	-	-	50,548	-	127,559
Street Maintenance	600,013	173,505	71,812,170	1,602,763	-	16,396	540,451	74,745,298
Central Garage	-	-	-	182,919	-	-	-	182,919
Parks and Recreation	20,920	247,080	357,710	318,932	-	-	-	944,642
Zoo Operations	-	79,368	2,592,571	73,538	-	-	-	2,745,477
Cemetery Operations	-	-	-	101,196	-	-	-	101,196
Total Public Works	620,933	576,964	74,762,451	2,279,348	-	66,944	540,451	78,847,091
Community Services:								
Parks and Recreation	66,000	135,972	323,144	70,349	-	-	-	595,465
Zoo	-	50,094	488,022	-	-	-	-	538,116
Inspections	-	-	-	37,224	-	-	-	37,224
Environmental Health	-	-	-	38,311	-	-	-	38,311
Cemetery	-	-	404,363	52,762	-	-	-	457,125
Total Community Services	66,000	186,066	1,215,529	198,646	-	-	-	1,666,241
Total Governmental Capital Assets	\$ 920,036	\$ 9,398,950	\$ 77,232,017	\$ 5,478,434	\$ 196,026	\$ 1,965,674	\$ 540,451	\$ 95,731,588

CITY OF GAINESVILLE, TEXAS
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 2010

<u>Function and Activity</u>	<u>Balance 10/1/2009</u>	<u>Additions/ Completions</u>	<u>Disposals/ Reclassifications</u>	<u>Balance 9/30/2010</u>
General Government:				
Administration	\$ 694,473	\$ -	\$ -	\$ 694,473
Main Street Program	298,168	-	-	298,168
Building Operations	7,614,104	15,840	(345,340)	7,284,604
Civic Center Operations	953,241	359,138	345,340	1,657,719
Community Development	24,746	-	-	24,746
Finance	292,879	-	-	292,877
Total General Government	<u>9,877,611</u>	<u>374,978</u>	<u>-</u>	<u>10,252,587</u>
Public Safety:				
Police	2,840,660	222,952	(97,072)	2,891,002
Fire	2,005,131	69,535	-	2,074,667
Total Public Safety	<u>4,845,791</u>	<u>292,487</u>	<u>(97,072)</u>	<u>4,965,669</u>
Public Works:				
Administration	127,088	471	-	127,559
Street Maintenance	74,704,268	132,453	(91,424)	74,745,298
Central Garage	182,919	-	-	182,919
Parks and Recreation	888,271	56,368	-	944,642
Zoo Operations	2,717,780	-	27,697	2,745,477
Other Operations	101,196	-	-	101,196
Total Public Works	<u>78,721,522</u>	<u>189,292</u>	<u>(63,727)</u>	<u>78,847,091</u>
Community Services:				
Parks and Recreation	534,361	61,104	-	595,465
Zoo	565,813	-	(27,697)	538,116
Inspenctions	-	-	-	37,224
Environmental Health	-	-	-	38,311
Cemetery	457,125	-	-	457,125
Total Community Services	<u>1,557,299</u>	<u>61,104</u>	<u>(27,697)</u>	<u>1,666,241</u>
Total Governmental Capital Assets	<u>\$ 95,002,223</u>	<u>\$ 917,861</u>	<u>\$ (188,496)</u>	<u>\$ 95,731,588</u>

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

Compliance Reports



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

To the City Council
City of Gainesville, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gainesville (City), Texas, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

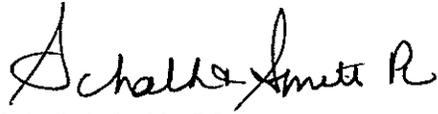
A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Schalk & Smith PC". The signature is written in a cursive, flowing style.

Schalk & Smith, PC
February 7, 2011



REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the City Council
City of Gainesville, Texas

Compliance

We have audited the compliance of City of Gainesville (City), Texas, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

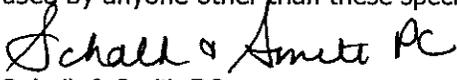
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable

possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Schalk & Smith PC

February 7, 2011

CITY OF GAINESVILLE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2010

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANTOR NUMBER	FEDERAL EXPENDITURES
FEDERAL AWARDS			
<u>U. S. Department of Justice</u>			
Edward Byrne Memorial Justice Assistance Grant	16.738	2009DJBX0135	\$ 11,832
Edward Byrne Memorial Justice Assistance Grant	16.738	2010DJBX0100	11,264
Subtotal			<u>23,096</u>
Passed Thru Officer of the Governor			
Edward Byrne Memorial Justice Assistance Grant	16.803	SV09A102241101	19,381
Recovery Act Justice Assistance	16.804	2009SBB91380	74,022
Total U. S. Department of Justice			<u>116,499</u>
<u>U. S. Department of Transportation</u>			
Passed Thru Texas Dept. of Transportation			
Airport Improvement Program	20.106	8XXAV014	\$ 913,587
Passed Thru Texas Dept. of Transportation			
Airport Improvement Program	20.106	M003GAINS	6,735
Total U. S. Department of Transportation			<u>920,322</u>
<u>U. S. Department of Energy</u>			
Energy Efficiency & Conversation Block Grant	81.128	DEEE0000893	<u>11,240</u>
<u>U. S. Department of Homeland Security</u>			
Passed Thru Governor's Division of			
Emergency Management Performance Grant	97.042	10TXEMPG0109	<u>54,046</u>
State Homeland Security Program	97.073	2008GET80034	70,127
State Homeland Security Program	97.073	2007GET70024	12,745
Subtotal			<u>82,872</u>
Total U. S. Department of Homeland Security			<u>136,918</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,184,979</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

1. GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards of the City of Gainesville, Texas (the City). The City's reporting entity is defined in Note I of the basic financial statements. Federal assistance received directly for state and federal agencies, as well as federal financial assistance passed through other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note I of the basic financial statements. Federal grants are considered to be earned to the extent of expenditures made under the provision of the grant; and accordingly, when such funds are received, they are recorded as deferred revenue until earned.

CITY OF GAINESVILLE, TX
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: UNQUALIFIED

Internal control over financial reporting:

Material weakness(es) identified? yes no

Reportable condition(s) identified not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes no

Reportable condition(s) identified not considered to be material weaknesses? yes none reported

Type of auditor’s report issued on compliance for major programs: UNQUALIFIED

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? yes no

Identification of major programs:

Airport Improvement Program
CFDA# 20.106

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes no

Section II—Financial Statement Findings

NONE

Section III—Federal Award Findings and Questioned Costs

NONE

Statistical Section

STATISTICAL SECTION

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

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	108
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources that include charges for services in Water & Sewer Fund and Solid Waste Fund, property tax and sales tax.	115
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	126
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	131
Operating Information 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.	133

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

City of Gainesville
Net Assets by Component
Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010		
Governmental activities										
Invested in capital assets										
net of related debt	\$ (3,836,724)	\$ 276,793	\$ (127,020)	\$ 57,472	\$ 392,926	\$ 779,029	\$ 2,978,341	\$ 2,633,311		
Restricted	5,332,531	1,131,480	1,050,393	1,109,828	1,153,826	1,173,937	1,208,887	1,241,202		
Unrestricted	1,627,227	953,260	418,958	676,384	2,135,879	4,224,966	4,885,310	6,487,507		
Total governmental activities net assets	\$ 3,123,034	\$ 2,361,533	\$ 1,342,331	\$ 1,843,684	\$ 3,682,631	\$ 6,177,932	\$ 9,072,538	\$ 10,362,020		
Business-type activities										
Invested in capital assets										
net of related debt	\$ (1,414,526)	\$ 5,322,173	\$ 4,370,183	\$ 4,000,256	\$ 3,437,721	\$ 3,440,372	\$ 3,394,196	\$ 1,955,664		
Restricted	178,754	0	0	0	0	0	0	0		
Unrestricted	3,023,959	(1,091,579)	(789,552)	59,311	714,675	1,361,440	2,474,873	5,468,599		
Total business-type activities net assets	\$ 1,788,187	\$ 4,230,594	\$ 3,580,631	\$ 4,059,567	\$ 4,152,396	\$ 4,801,812	\$ 5,869,089	\$ 7,424,263		
Primary government										
Invested in capital assets										
net of related debt	\$ (5,251,250)	\$ 5,588,966	\$ 4,243,163	\$ 4,057,728	\$ 3,830,647	\$ 4,219,401	\$ 6,372,537	\$ 4,588,975		
Restricted	5,511,285	1,131,480	1,050,393	1,109,828	1,153,826	1,173,937	1,208,887	1,241,202		
Unrestricted	4,651,186	(138,319)	(370,594)	735,695	2,850,554	5,586,406	7,360,183	11,956,106		
Total primary government net assets	\$ 4,911,221	\$ 6,592,127	\$ 4,922,962	\$ 5,903,251	\$ 7,835,027	\$ 10,979,744	\$ 14,941,607	\$ 17,786,283		

Note: Fiscal Year 2003 was the initial year of implementation of GASB Statement No. 34.

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

Expenses	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities:								
General Government	\$1,860,324	\$1,794,373	\$1,978,374	\$1,884,436	\$2,075,083	\$2,262,132	\$1,956,841	\$2,029,423
Community Development	336,198	403,837	346,006	739,496	276,415	349,900	354,000	410,999
Community Services	0	0	280,376	0	0	0	0	0
Finance	430,017	430,252	418,343	448,742	448,207	431,430	399,885	401,758
Public Safety	5,841,792	6,390,795	6,618,978	6,663,618	6,891,589	7,164,808	7,191,305	7,462,751
General/Public Services	2,867,064	3,009,567	3,599,025	3,707,325	4,035,694	4,130,729	3,630,306	3,419,627
Non-Departmental	0	0	0	0	0	0	20,163	0
Interest on Long-Term Debt	677,892	706,156	692,445	716,205	484,224	536,201	530,804	450,764
Total Governmental Activities Expenses	12,013,287	12,734,980	13,933,547	14,159,822	14,211,212	14,875,200	14,083,304	14,175,322
Business-Type Activities:								
Water and Sewer	5,938,586	5,215,267	5,434,770	5,537,915	5,518,745	5,473,198	5,525,366	5,539,750
Municipal Airport	805,455	737,528	1,085,905	1,159,891	1,264,900	1,563,695	1,072,340	1,097,044
Golf Course	413,128	404,692	448,445	513,501	543,412	617,356	582,525	550,564
Stormwater	235,390	212,002	204,319	322,836	286,029	320,769	442,089	393,324
Solid Waste	2,722,251	2,706,811	2,415,911	2,647,006	2,692,962	2,782,776	2,581,076	2,446,737
Total Business-Type Activities Expenses	10,114,810	9,276,300	9,589,350	10,181,149	10,306,048	10,757,794	10,203,396	10,027,419
Total Primary Government Expenses	\$22,128,097	\$22,011,280	\$23,522,897	\$24,340,971	\$24,517,260	\$25,632,994	\$24,286,700	\$24,202,741
Program Revenues								
Governmental Activities:								
Fines, Fees, Charges for Services								
General Government	\$154,436	\$0	\$0	\$0	\$25,000	\$25,000	\$0	\$0
Community Development	108,231	335,445	555,136	752,026	725,940	851,088	392,201	372,813
Public Safety	263,954	637,607	464,285	497,638	505,799	587,271	467,336	425,670
General/Public Services	86,315	0	0	0	0	0	453,436	453,449
Operating Grants and Contributions	371,190	295,889	125,861	523,173	883,906	385,352	1,480,927	235,593
Total Governmental Activities Program Revenues	984,126	1,268,941	1,145,282	1,772,837	2,140,645	1,848,711	2,793,900	1,487,525

	2003	2004	2005	2006	2007	2008	2009	2010
Business-Type Activities:								
Fines, Fees, Charges for Services								
Water and Sewer	\$5,729,926	\$5,813,674	\$5,696,476	\$6,856,607	\$6,747,113	\$6,958,762	\$7,262,043	\$7,106,996
Municipal Airport	649,230	652,730	717,675	923,305	961,110	1,263,399	878,792	896,501
Golf Course	227,645	184,063	290,373	322,630	250,432	366,356	345,795	285,532
Stormwater	207,345	239,705	407,873	513,261	545,569	551,395	963,149	960,287
Solid Waste	2,932,256	3,408,370	3,282,338	3,689,012	3,843,877	3,817,914	3,490,902	3,395,912
Operating Grants and Contributions	774,152	2,633,788	448,851	136,933	76,539	90,123	185,616	919,693
Total Business-Type Activities Program Revenue	10,520,554	12,932,330	10,843,586	12,441,748	12,424,640	13,047,949	13,126,297	13,564,921
Total Primary Government Program Revenues	\$11,504,680	\$14,201,271	\$11,988,868	\$14,214,585	\$14,565,285	\$14,896,660	\$15,920,197	\$15,052,446
Net (Expense)/Revenue								
Governmental Activities	-\$11,029,161	-\$11,466,039	-\$12,788,265	-\$12,386,985	-\$12,070,567	-\$13,026,489	-\$11,289,404	-\$12,687,797
Business-Type Activities	405,744	3,656,030	1,254,236	2,260,599	2,118,592	2,290,155	2,922,901	3,537,502
Total Primary Government	-\$10,623,417	-\$7,810,009	-\$11,534,029	-\$10,126,386	-\$9,951,975	-\$10,736,334	-\$8,366,503	-\$9,150,295
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes								
Property Taxes	\$3,950,884	\$4,129,125	\$4,358,949	\$4,421,385	\$4,482,892	\$4,891,706	\$5,254,558	\$5,626,157
Sales Taxes	3,254,879	3,455,752	3,587,092	4,211,791	5,026,128	6,052,952	4,442,416	3,961,931
Other Taxes & Fees	1,391,808	1,454,048	1,577,858	1,840,505	1,761,358	2,015,097	1,822,054	1,697,810
Investment Income	76,421	56,086	43,262	87,331	152,191	134,030	78,460	31,581
Miscellaneous	265,832	383,375	267,912	470,074	450,333	364,550	514,287	667,349
Transfers In (Out)	526,459	1,226,152	1,933,990	1,857,252	2,036,612	2,063,455	1,979,229	2,002,451
Total Government Activities	9,466,283	10,704,538	11,769,063	12,888,338	13,909,514	15,521,790	14,091,004	13,977,279
Business-Type Activities:								
Investment Income	26,305	1,951	29,791	9,151	36,710	34,741	39,618	11,181
Miscellaneous	29,774	0	0	0	347,374	387,975	83,967	8,962
Transfers In (Out)	-518,459	-1,226,152	-1,933,990	-1,857,252	-2,036,612	-2,063,455	-1,979,229	-2,002,451
Total Business-Type Activities	-462,380	-1,224,201	-1,904,199	-1,848,101	-1,652,528	-1,640,739	-1,855,644	-1,982,308
Total Primary Government	\$9,003,903	\$9,480,337	\$9,864,864	\$11,040,237	\$12,256,986	\$13,881,051	\$12,235,360	\$11,994,971
Change in Net Assets								
Governmental Activities	-\$1,562,878	-\$761,501	-\$1,019,202	\$501,353	\$1,838,947	\$2,495,301	\$2,801,600	\$1,289,482
Business-Type Activities	-56,636	2,431,829	-649,963	412,498	466,064	649,416	1,067,257	1,565,194
Total Primary Government	-\$1,619,514	\$1,670,328	-\$1,669,165	\$913,851	\$2,305,011	\$3,144,717	\$3,868,857	\$2,844,676

Note: Fiscal Year 2003 was the initial year of implementation of GASB Statement No. 34.

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

Fiscal Year	Property Taxes	Sales Taxes	Franchise Fees	Alcoholic Beverage Taxes		Occupancy Tax	Total
				Beverage Taxes	Occupancy Tax		
2001	3,152,930	2,867,167	1,235,832	18,509	183,751	7,458,189	
2002	3,611,090	2,972,668	1,194,554	20,682	165,140	7,964,134	
2003	3,950,884	3,254,879	1,154,863	21,763	215,182	8,597,571	
2004	4,129,125	3,455,752	1,156,084	21,699	276,265	9,038,925	
2005	4,358,949	3,587,092	1,232,607	23,674	321,577	9,523,899	
2006	4,421,385	4,211,791	1,452,555	29,906	358,044	10,473,681	
2007	4,477,453	4,989,105	1,290,673	29,557	441,128	11,227,916	
2008	4,907,152	5,929,819	1,389,550	31,542	594,005	12,852,068	
2009	5,246,238	4,653,940	1,250,451	31,845	539,758	11,722,232	
2010	\$ 5,598,223	\$ 3,854,804	\$ 1,200,729	\$ 35,672	\$ 461,409	\$ 11,150,837	

Statement of Rev and Exp and changes in Fund Balances

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$124	\$0	\$18,124	\$30,470	\$38,619	\$43,656	\$19,235	\$40,530	\$428	\$628
Unreserved	598,962	88,528	678,504	333,032	370,806	1,007,234	1,938,783	3,385,907	4,224,247	5,051,487
Total General Fund	\$599,086	\$88,528	\$696,628	\$363,502	\$409,425	\$1,050,890	\$1,958,018	\$3,426,437	\$4,224,675	\$5,052,115
All Other Governmental Funds										
Reserved	\$286,072	\$229,944	\$5,332,531	\$2,385,997	\$2,158,137	\$1,127,641	\$1,404,099	\$2,208,169	\$1,875,114	\$3,895,572
Unreserved, reported in:										
Special Revenue Funds	140,650	125,066	104,679	171,993	265,083	(764,402)	(590,815)	(88,470)	0	86,580
Capital Projects Funds	1,030,789	5,079,885	793,121	677,514	(22,782)	584,107	(65,886)	0	328,115	0
Total All Other Governmental Funds	\$1,457,511	\$5,434,895	\$6,230,331	\$3,235,504	\$2,400,438	\$947,346	\$747,398	\$2,119,699	\$2,203,229	\$3,982,152

Balance Sheet-Governmental Funds

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Ad Valorem Taxes	\$ 3,152,930	\$ 3,611,090	\$ 4,027,441	\$ 4,025,658	\$ 4,370,272	\$ 4,436,631	\$ 4,477,453	\$ 4,907,152	\$ 5,246,238	\$ 5,598,223
Sales Taxes	2,867,167	2,972,668	3,221,286	3,441,064	3,575,233	4,153,560	4,989,105	5,929,819	4,653,940	3,854,804
Other Local Taxes/Fees	1,438,092	1,380,376	1,391,808	1,454,048	1,577,858	1,840,505	1,761,358	2,015,097	1,822,054	1,697,810
Service Charges	103,078	122,938	115,751	156,120	395,404	508,518	569,915	673,298	672,489	686,216
License & Permits	106,664	84,835	108,231	179,325	159,732	243,508	181,020	202,790	173,148	140,046
Fines & Forfeitures	204,643	246,081	263,954	359,096	483,929	457,731	486,678	476,939	489,252	464,628
Interest from Investments	69,513	64,960	76,316	56,087	43,262	87,332	152,191	134,030	78,460	31,582
Intergovernmental Revenues	330,366	392,970	65,890	295,889	125,861	523,173	883,906	385,352	209,656	309,615
Other Income	853,651	194,453	696,132	383,376	268,167	470,072	450,333	364,548	1,711,537	657,348
Total Revenues	\$ 9,126,104	\$ 9,070,371	\$ 9,966,809	\$ 10,350,663	\$ 11,000,718	\$ 12,721,030	\$ 13,951,959	\$ 15,089,025	\$ 15,056,774	\$ 13,440,272
Expenditures										
General Government	\$ 1,342,280	\$ 1,013,236	\$ 1,407,802	\$ 1,325,417	\$ 1,507,579	\$ 1,458,781	\$ 1,822,669	\$ 1,551,903	\$ 1,548,379	\$ 1,596,675
Community Development	642,473	564,683	329,327	337,168	341,412	675,742	270,842	351,506	376,869	366,368
Finance	455,849	439,901	420,917	419,019	404,466	435,367	434,032	432,879	375,468	402,465
Public Safety	4,731,548	5,232,812	5,448,255	5,987,596	6,359,967	6,510,645	6,699,091	6,958,067	6,932,074	7,144,821
Public Works	2,602,683	2,722,334	2,512,175	2,734,339	3,025,606	3,243,210	3,483,003	3,532,328	3,098,509	2,945,265
Non-Departmental	0	0	0	0	0	0	0	0	20,163	0
Capital Outlay	1,814,081	1,139,907	1,205,046	2,706,361	1,640,257	999,920	1,508,562	827,154	2,200,960	917,862
Debt Service:										
Principal	406,404	444,997	595,074	683,191	851,768	950,260	982,345	1,077,595	1,165,913	978,483
Interest	435,818	481,262	730,644	711,676	684,057	717,684	493,067	542,350	528,907	463,946
Total Expenditures	\$ 12,431,136	\$ 12,039,132	\$ 12,649,240	\$ 14,904,767	\$ 14,815,112	\$ 14,991,609	\$ 15,693,611	\$ 15,273,782	\$ 16,247,242	\$ 14,815,885
Excess of revenues over (under) expenditures	(3,305,032)	(2,968,761)	(2,682,431)	(4,554,104)	(3,814,394)	(2,270,579)	(1,741,652)	(184,757)	(1,190,468)	(1,375,613)

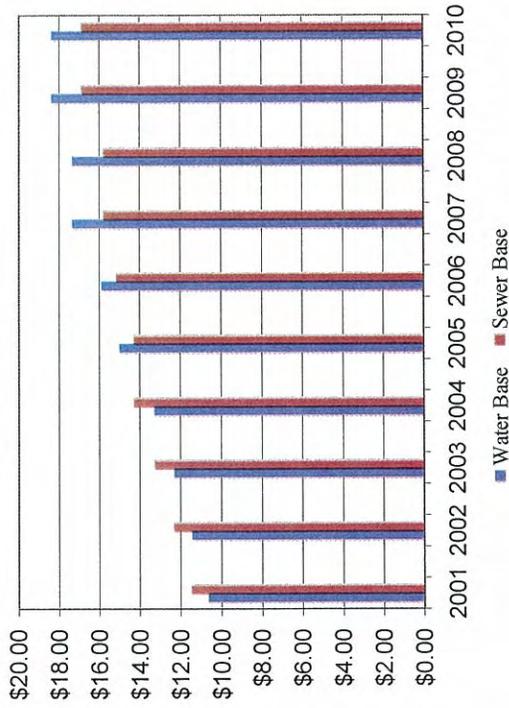
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Other financing Sources (Uses):										
Proceeds from Bond Issues	1,149,986	5,067,466	1,908,565	0	500,000	192,959	412,220	962,020	0	1,979,525
Proceeds from Leases	0	0	0	0	0	0	0	0	0	0
Funds transferred in	3,098,703	1,581,749	2,034,854	2,111,759	2,342,345	2,711,170	3,247,876	3,626,811	3,480,751	3,338,694
Funds transferred out	(1,398,653)	(213,628)	(1,259,180)	(885,608)	(408,355)	(853,915)	(1,211,264)	(1,563,354)	(1,501,522)	(1,336,243)
Total Other Financing Sources(Uses)	2,850,036	6,435,587	2,684,239	1,226,151	2,433,990	2,050,214	2,448,832	3,025,477	1,979,229	3,981,976
Net Change in Fund Balances	(\$454,996)	\$3,466,826	\$1,808	(\$3,327,953)	(\$1,380,404)	(\$220,365)	\$707,180	\$2,840,720	\$788,761	\$2,606,363
Debt Service as a percentage of Noncapital Expenditures	7.93%	8.50%	11.58%	11.43%	11.66%	11.92%	10.40%	11.21%	12.07%	10.38%

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

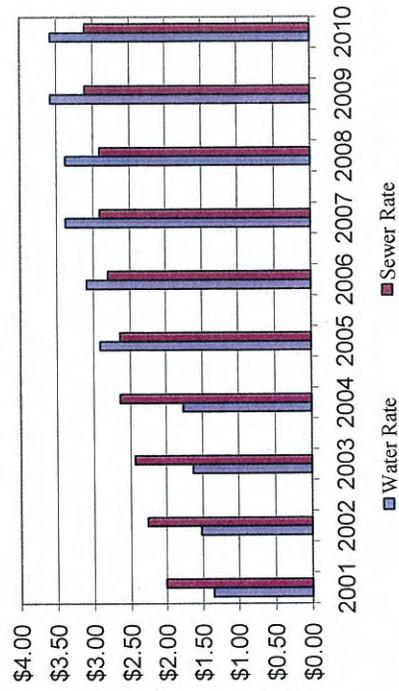
Fiscal Year	Water		Sewer	
	Base Charge (per month)	Rate (per 1000 gals)	Base Charge (per month)	Rate (per 1000 gals)
2001	\$10.64	\$1.35	\$11.48	\$2.01
2002	11.44	1.52	12.34	2.27
2003	12.30	1.63	13.27	2.44
2004	13.28	1.76	14.33	2.64
2005	15.00	2.91	14.33	2.64
2006	15.90	3.09	15.19	2.80
2007	17.37	3.38	15.80	2.91
2008	17.37	3.38	15.80	2.91
2009	18.41	3.58	16.91	3.11
2010	\$18.41	\$3.58	\$16.91	\$3.11

Source: City of Gainesville Customer Service

**Water & Sewer Fund
Base Charges**

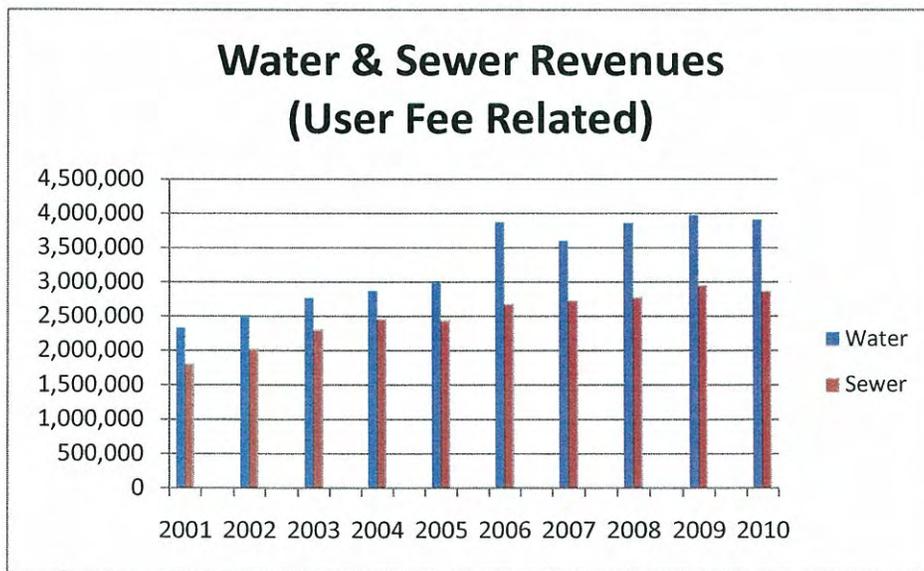


**Water & Sewer Rates
Per 1,000 Gallons**



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

Fiscal Year	Water Related Revenues	Sewer Related Revenues	Total
2001	2,333,057	1,816,703	4,149,760
2002	2,505,542	2,036,630	4,542,172
2003	2,772,476	2,315,290	5,087,766
2004	2,875,463	2,468,430	5,343,893
2005	3,000,823	2,446,393	5,447,216
2006	3,873,001	2,686,232	6,559,233
2007	3,599,687	2,734,583	6,334,270
2008	3,861,338	2,781,184	6,642,522
2009	3,978,644	2,951,698	6,930,342
2010	\$3,905,808	\$2,875,628	\$6,781,436



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

Customer	2010		2001	
	Total Consumption For Customer (in gallons)	Rank	Total Consumption For Customer (in gallons)	Rank
Weber Aircraft	15,505,440	1	17,261,730	1
Frank Buck Zoo	10,494,100	2	-	
Gainesville State School	10,366,000	3	13,269,000	2
North Central Texas College	9,021,430	4	9,311,040	6
Polypipe Inc	5,616,600	5	4,788,370	10
Pecan Tree Manor	5,139,500	6	4,916,400	9
Sunset Village	3,972,650	7	5,619,350	7
Unicare Health	3,857,800	8	-	
Woodglen Apartments	3,839,800	9	-	
Gray Hill Apartments	3,306,700	10	-	
Gainesville Memorial Hospital	-	-	10,841,080	3
AEP	-	-	5,147,800	8
Bill Dugger	-		9,999,920	4
Gainesville ISD	-		9,859,000	5
Total Water Consumption	71,120,020		91,013,690	

Source: City of Gainesville Customer Service

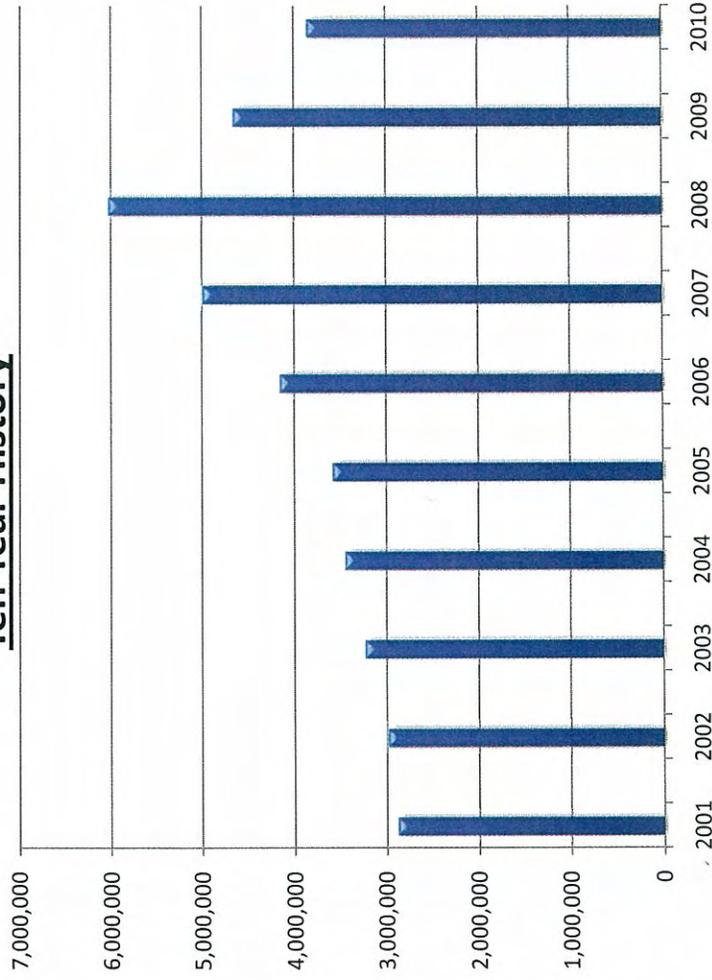
**City of Gainesville
Direct and Overlapping Sales Tax Rates
Last Ten Years**

Fiscal Year	State of Texas	Cooke County	City of Gainesville	Gainesville		Totals
				Economic Development		
2001	6.25%	0.50%	1.25%	0.25%	0.25%	8.25%
2002	6.25%	0.50%	1.25%	0.25%	0.25%	8.25%
2003	6.25%	0.50%	1.25%	0.25%	0.25%	8.25%
2004	6.25%	0.50%	1.25%	0.25%	0.25%	8.25%
2005	6.25%	0.50%	1.25%	0.25%	0.25%	8.25%
2006	6.25%	0.50%	1.25%	0.25%	0.25%	8.25%
2007	6.25%	0.50%	1.25%	0.25%	0.25%	8.25%
2008	6.25%	0.50%	1.25%	0.25%	0.25%	8.25%
2009	6.25%	0.50%	1.25%	0.25%	0.25%	8.25%
2010	6.25%	0.50%	1.25%	0.25%	0.25%	8.25%

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

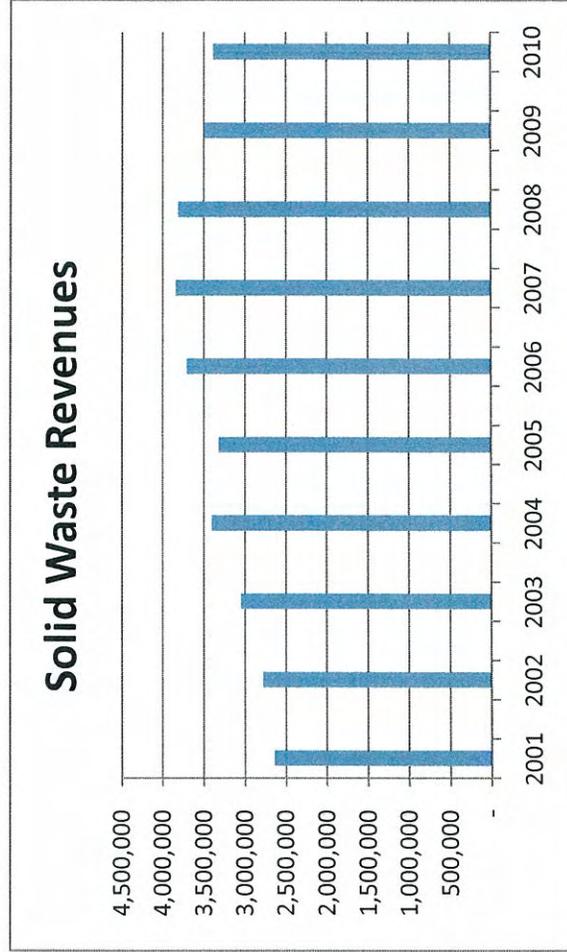
<u>Fiscal Year</u>	<u>Sales Tax Revenue</u>
2001	2,867,167
2002	2,972,668
2003	3,221,286
2004	3,441,064
2005	3,576,233
2006	4,153,560
2007	4,989,105
2008	6,022,826
2009	4,653,940
2010	3,854,804

**Sales Tax Revenue
Ten Year History**



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

Fiscal Year	Charges for Service Revenues
2001	2,643,718
2002	2,781,889
2003	3,048,553
2004	3,408,370
2005	3,321,267
2006	3,710,112
2007	3,843,877
2008	3,817,914
2009	3,490,902
2010	\$3,386,152



City of Gainesville, Texas
Assessed and Estimated Actual Value of Property (1)
Last Ten Fiscal Years

Fiscal Year	Real Property			Personal Property			Total			Ratio of Total Assessed Value To Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Exemptions	Assessed Value	Estimated Actual Value	Exemptions	Assessed Value	Estimated Actual Value	Exemptions	
2001	\$ 402,779,155	\$ 402,779,155	\$ 172,605,616	\$ 48,613,072	\$ 526,771,699	\$ 0.6000	100.0%			
2002	416,367,739	416,367,739	175,604,102	48,629,813	543,342,028	0.6600	100.0%			
2003	445,252,048	445,252,048	187,495,148	62,151,656	570,595,540	0.7000	100.0%			
2004	479,226,381	479,226,381	157,141,678	68,135,508	568,232,551	0.7000	100.0%			
2005	518,728,498	518,728,498	169,865,063	78,680,466	609,913,095	0.7000	100.0%			
2006	559,762,307	559,762,307	170,445,045	88,316,143	641,891,209	0.6700	100.0%			
2007	611,842,551	611,842,551	154,205,466	98,372,454	667,675,563	0.6491	100.0%			
2008	651,413,164	651,413,164	177,719,910	75,975,192	753,157,882	0.6470	100.0%			
2009	687,450,674	687,450,674	239,500,016	118,510,775	808,439,915	0.6470	100.0%			
2010	\$ 710,898,777	\$ 710,898,777	\$ 263,735,991	\$ 112,937,346	\$ 861,697,422	\$ 0.6470	100.0%			

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

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

Fiscal Year	City of Gainesville				Cooke County				Gainesville School District				Other (2)			
	Operating Rate	Service Rate	Total City Rate	Total	Operating Rate	Service Rate	Debt Rate	Total County Rate	Operating Rate	Service Rate	Debt Rate	Total School Rate	Operating Rate	Service Rate	Debt Rate	Total Other Rate
2001	0.4730	0.1270	0.6000	0.4015	0.0000	0.4015	1.4650	0.0650	1.5300	1.4991	0.0341	1.5332	4.06			
2002	0.5086	0.1514	0.6600	0.4350	0.0000	0.4350	1.5000	0.0850	1.5850	1.4406	0.0000	1.4406	4.12			
2003	0.4943	0.2057	0.7000	0.4450	0.0000	0.4450	1.5000	0.0750	1.5750	1.4911	0.1378	1.6289	4.35			
2004	0.4943	0.2057	0.7000	0.3425	0.0000	0.3425	1.5000	0.0550	1.5550	1.5082	0.1323	1.6405	4.24			
2005	0.4646	0.2354	0.7000	0.3700	0.0440	0.4140	1.5000	0.0550	1.5550	1.5128	0.1688	1.6816	4.35			
2006	0.3896	0.2835	0.6730	0.3743	0.0387	0.4130	1.5000	0.0550	1.5550	1.5056	0.1804	1.6860	4.33			
2007	0.36301	0.28609	0.6491	0.3399	0.0418	0.3817	1.37	0.3383	1.7083	1.3793	0.1579	1.5372	4.28			
2008	0.3928	0.2542	0.6470	0.3327	0.039	0.3717	1.04	0.245419	1.285419	1.0710	0.1395	1.2105	3.51			
2009	0.3822	0.2648	0.6470	0.3099	0.0350	0.3449	1.04000	0.23532	1.27532	1.1443	0.127971	1.2723	3.54			
2010	0.4257	0.2213	0.6470	0.3137	0.0312	0.3449	1.04000	0.23532	1.27532	1.1468	1.1126	2.2594	4.53			

(1) Rates expressed in amounts per \$100. Source Cooke County Appraisal District

(2) Includes North Central Texas College, Gainesville Hospital District, and Lindsay School District.

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

Taxpayer	2010			2001		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Pumpco energy Services LP	\$45,125,310	1	5.24%			0.00%
Weber Aircraft	23,733,327	2	2.75%	29,627,280	1	5.64%
Wal-Mart	18,471,663	3	2.14%			0.00%
Building Materials Corp. of America	15,510,943	4	1.80%			0.00%
Polypipe Inc	14,748,035	5	1.71%	13,437,330	4	2.56%
B-29 Properties LLC	9,861,778	6	1.14%			0.00%
Oncor Electric	8,458,260	7	0.98%			0.00%
Spraylat Corporation	8,287,710	8	0.96%	10,580,180	5	2.01%
Home Depot USA Inc	7,130,658	9	0.83%			0.00%
Karl Klement Properties	6,708,246	10	0.78%			0.00%
Gainesville Factory Shops	-	-	0.00%	19,003,941	2	3.62%
A.E.P. Industries	-	-	0.00%	15,722,960	3	2.99%
Valenite Inc.	-	-	0.00%	7,825,220	6	1.49%
Southwestern Bell	-	-	0.00%	5,791,190	8	1.10%
TXU Electric	-	-	0.00%	7,766,660	7	1.48%
Petroflex	-	-	0.00%	4,270,980	9	0.81%
North Texas Economics	-	-	0.00%	4,244,844	10	0.81%
Total Assessed Valuation	\$158,035,930		18.34%	\$118,270,585		22.51%

Source: Cooke County Appraisal District

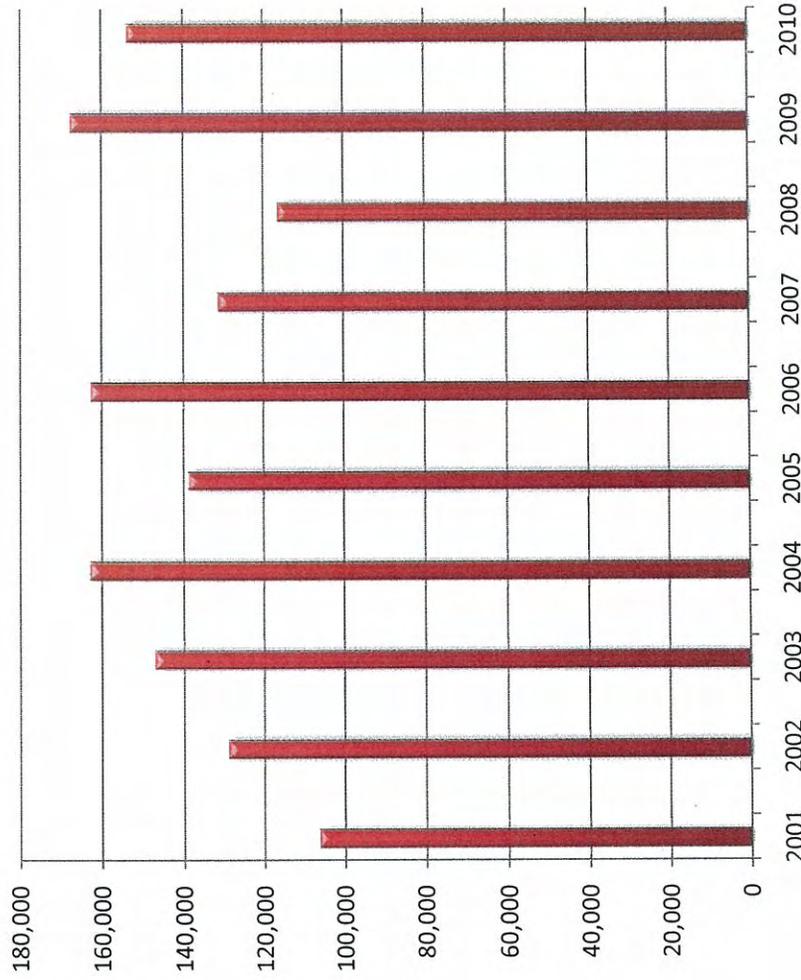
City of Gainesville, Texas
Property Tax Levies and Collections (1)
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of		Outstanding Delinquent Taxes	Delinquent Taxes to Total Tax Levy
						Total Tax Collections to Total Tax Levy	Total Tax Collections		
2001	\$ 3,090,994	\$ 3,053,660	98.8%	\$ 99,270	\$ 3,152,930	102.0%	\$ 290,201	9.4%	
2002	3,586,003	3,483,976	97.2%	127,114	3,611,090	100.7%	270,517	7.5%	
2003	3,933,002	3,917,797	99.6%	87,787	4,005,584	101.8%	276,293	7.0%	
2004	3,953,706	3,929,212	99.4%	98,645	4,027,857	101.9%	278,765	7.1%	
2005	4,206,700	4,243,373	100.9%	77,131	4,320,504	102.7%	284,515	6.8%	
2006	4,256,555	4,284,371	100.7%	98,886	4,383,257	103.0%	256,032	6.0%	
2007	4,268,873	4,348,545	101.9%	75,957	4,424,502	103.6%	169,873	4.0%	
2008	4,799,838	4,779,714	99.6%	58,387	4,838,101	100.8%	237,736	5.0%	
2009	5,021,382	5,102,026	101.6%	88,309	5,190,335	103.4%	281,826	5.6%	
2010	\$ 5,326,020	\$ 5,462,636	102.6%	\$ 83,151	\$ 5,545,787	104.1%	\$ 291,174	5.5%	

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

**City of Gainesville, Texas
Delinquent Tax, Penalty, Interest Collected
Ten Year History**

Fiscal Year	Delinquent Tax	Penalty & Interest	Total
2001	54,981	51,213	106,194
2002	75,315	53,611	128,926
2003	87,788	59,141	146,929
2004	98,644	64,314	162,958
2005	77,131	61,567	138,698
2006	98,886	63,845	162,731
2007	75,957	55,355	131,312
2008	58,388	57,950	116,338
2009	\$88,309	\$79,280	\$167,589
2010	\$83,151	\$70,422	\$153,573



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

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percent of Personal Income	Per Capita (1)
	General Obligation Bonds	Certificates of Obligation Bonds	Notes Payable	Capital Leases	General Obligation Bonds	Certificates of Obligation Bonds	Notes Payable	Capital Leases			
2001	\$3,320,000	\$5,395,829	\$0	\$0	\$379,999	\$13,563,666	\$0	\$0	\$22,659,494	9.13%	\$1,458
2002	7,178,863	6,159,567	0	0	2,091,137	13,054,484	0	0	28,484,051	---	1,833
2003	6,971,113	7,822,243	0	0	1,868,887	12,487,021	0	0	29,149,264	11.44%	1,876
2004	6,700,775	7,409,389	0	0	1,809,225	11,893,667	0	0	27,813,056	10.83%	1,790
2005	6,948,568	6,386,922	458,241	0	7,568,430	4,843,422	0	68,707	26,274,290	9.92%	1,691
2006	6,637,059	5,922,431	371,597	58,205	7,364,940	4,332,308	0	93,529	24,780,069	8.95%	1,595
2007	8,828,370	2,915,495	277,109	292,731	9,215,038	1,234,503	0	349,161	23,112,407	7.94%	1,487
2008	8,397,156	3,528,036	171,093	153,237	14,365,160	2,101,360	0	252,821	28,968,863	9.81%	1,864
2009	7,884,844	3,153,956	58,065	19,334	13,609,974	1,833,388	0	133,758	26,693,319	9.04%	1,718
2010	\$7,426,912	\$4,753,901	\$0	\$13,231	\$12,716,873	\$4,361,674	\$395,000	\$61,086	\$29,728,677	10.07%	\$1,913

(1) Calculated using the most recent census figure (2000).

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

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

Fiscal Year	Official Population (1)	Total Assessed Value (2)	Net General Obligation Debt (3)	Less Debt Service Fund (4)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2001	15,538	\$ 526,771,699	\$ 8,715,829	\$ 286,072	\$ 8,429,757	1.60%	\$ 542.53
2002	15,538	543,342,028	13,338,429	229,944	13,108,485	2.41%	843.64
2003	15,538	570,595,540	14,793,356	109,706	14,683,650	2.57%	945.02
2004	15,538	568,232,551	14,110,164	114,571	13,995,593	2.46%	900.73
2005	15,538	609,913,095	13,793,731	-9,147	13,802,878	2.26%	888.33
2006	15,538	641,891,209	12,989,292	361	12,988,931	2.02%	835.95
2007	15,538	667,675,563	18,043,408	227,401	17,816,007	2.67%	1,146.61
2008	15,538	753,157,882	22,762,316	367,712	22,394,604	2.97%	1,441.28
2009	15,538	808,439,915	21,494,818	495,975	20,998,843	2.60%	1,351.45
2010	15,538	861,697,422	20,143,785	682,392	19,461,393	2.26%	1,252.50

- (1) From US Bureau of Census 2000 Census
- (2) From Cooke County Appraisal District
- (3) Excludes revenue bonds.
- (4) Amount available for repayment of general obligation bonds.

City of Gainesville, Texas
 Computation of Direct and Overlapping Bonded Debt
 General Obligation Bonds
 September 30, 2010

Jurisdiction	Total Debt Outstanding	Estimated Percent Applicable (1)	Direct and Overlapping Funded Debt As of 9/30/10
City of Gainesville	\$ 25,755,000.00	100.00%	\$ 25,755,000.00
<i>Overlapping Debt:</i>			
Cook County	\$ 8,560,000.00 *	33.19%	\$ 2,841,064.00
Gainesville ISD	\$ 34,941,260.00 *	99.39%	\$ 34,728,118.31
Gainesville Hospital District	\$ 24,335,000.00	36.63%	\$ 8,913,910.50
Subtotal Overlapping Debt	<u>\$ 67,836,260.00</u>		<u>\$ 46,483,092.81</u>
Total Direct and Overlapping Debt	<u><u>\$ 93,591,260.00</u></u>		<u><u>\$ 72,238,092.81</u></u>

Ratio of direct and overlapping bonded debt to taxable assessed valuation

8.51%

Per capita direct and overlapping bonded debt

\$ 4,249

* Gross Debt.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

Source: First Southwest Company

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$57,539	\$59,187	\$63,275	\$63,637	\$68,859	\$73,021	\$76,605	\$75,316	\$80,844	\$86,170
Total Net Debt Applicable to Limit	3,414	9,040	8,730	8,395	14,526	14,002	17,816	22,394	20,999	25,073
Legal Debt Margin	\$54,125	\$50,147	\$54,545	\$55,242	\$54,333	\$59,019	\$58,789	\$52,922	\$59,845	\$61,097
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	5.93%	15.27%	13.80%	13.19%	21.10%	19.18%	23.26%	29.73%	25.97%	29.10%

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$770,210
Add back: exempt real property	\$91,488
Total assessed value	<u>\$861,698</u>
Debt limit (10% to total assessed value)	\$86,170
Debt applicable to limit:	
General Obligation bonds	\$25,755
Less: Amount set aside for repayment of GO debt	<u>\$682</u>
Total net debt applicable to limit	<u>\$25,073</u>
Legal Debt Margin	<u><u>\$61,097</u></u>

Note: Under state finance law, the City of Gainesville's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

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

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
2001	\$ 4,515,453	\$ 4,224,333	\$ 291,120	\$ 0	\$ 0	\$ 0	N/A
2002	4,886,869	4,428,838	458,031	0	0	0	N/A
2003	5,804,996	4,494,676	1,310,320	0	0	0	N/A
2004	6,453,043	4,607,943	1,845,100	0	0	0	N/A
2005	5,801,020	4,552,328	1,248,692	0	0	0	N/A
2006	6,856,638	4,827,767	2,028,871	0	0	0	N/A
2007	6,751,226	4,567,308	2,183,918	0	0	0	N/A
2008	7,356,384	4,689,945	2,666,439	0	0	0	N/A
2009	7,275,853	4,695,861	2,579,992	0	0	0	N/A
2010	\$ 7,111,950	\$ 4,410,703	\$ 2,701,247	\$ 0	\$ 0	\$ 0	N/A

(1) Total revenues, including interest.
(2) Total operating expenses excluding depreciation and transfers
(3) Includes principal and interest of revenue bonds only. General obligation bonds reported in the Water and Sewer Fund are not included.

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

Fiscal Year	Official Population (1)	Personal Income (4)	Per Capita Personal Income	Median Age (4)	School Enrollment (3)	Education Percent High School & Up (4)	Unemployment Rate (2)
2001	15,538	248,204,012	15,974	35	2,914	48.50%	4.70%
2002	15,538	---	---	---	2,957	---	3.60%
2003	15,538	254,900,890	16,405	34	2,993	51.78%	5.40%
2004	15,538	256,703,298	16,521	34	2,984	51.82%	3.70%
2005	15,538	264,969,514	17,053	34	3,099	56.87%	4.38%
2006	15,538	276,762,856	17,812	34	3,025	---	4.00%
2007	15,538	291,057,816	18,732	34	2,951	---	3.90%
2008	15,538	295,190,924	18,998	34	2,851	57.32%	3.80%
2009	15,538	295,190,924	18,998	34	2,648	57.32%	6.80%
2010	15,538	295,190,924	18,998	34	2,771	57.32%	6.20%

- (1) US Census Bureau 2000 Census
- (2) Bureau of Labor Statistics
- (3) Gainesville Independent School District
- (4) Socrates and Tracer - the last updated data was 2008

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

**City of Gainesville, Texas
Ten Largest Employers
Fiscal Year 2010 and 2001**

Employer	2010			2001		
	Number of Employees FTE	Rank	Percent of Total Employment	Number of Employees FTE	Rank	Percent of Total Employment
Weber Aircraft	1250	1	6.12%	832	1	4.60%
WinStar Casino	700	2	3.42%	-		
Gainesville ISD	452	3	2.21%	-		
WalMart	406	4	1.99%	500	3	2.76%
North Central Texas College	402	5	1.97%	545	2	3.01%
Gainesville State School	353	6	1.73%	316	5	1.75%
North Texas Medical Center	325	7	1.59%	-		
MFG	250	8	1.22%	-		
City of Gainesville	231	9	1.13%	258	7	1.43%
Complete Energy	106	10	0.52%	-		
Gainesville Factory Shops	-			500	4	2.76%
Gainesville Hospital	-			308	6	1.70%
GTE - Valenite	-			149	10	0.82%
CSR Poly-Pipe	-			160	9	0.88%
Cooke County	-			180	8	0.99%
Totals	4,475			3,748		
Total Employment Cooke County	20,438			18,092		
Note: City employment totals are not available.						

Source: Gainesville Economic Development Corporation

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

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government	8	8	7	7	13	13	13	14	12	12
Economic Development	0	1	1	1	1	1	2	4	4	4
Community Services	9	9	9	9	6	5	5	6	5	5
Finance	5	5	5	5	5	5	5	5	4	4
Police	58	58	59	58	57	55	55	55	53	53
Fire	41	41	41	41	41	41	41	42	42	42
Public Works	54	58	52	44	44	36	37	---	---	---
Streets	---	---	---	---	---	---	---	11	7	8
Garage	---	---	---	---	---	---	---	5	4	4
Parks	---	---	---	---	---	---	---	14	13	13
Cemetery	---	---	---	---	---	---	---	5	5	5
Golf Course	8	8	8	7	7	9	9	9	8	8
Frank Buck Zoo	---	---	---	12	13	14	14	14	14	14
Water	24	26	23	23	23	24	24	28	21	21
Wastewater	17	17	19	19	19	18	18	18	18	18
Airport	3	3	3	3	3	3	3	4	3	3
Stormwater Utility	2	2	2	2	2	4	4	4	2	2
Solid Waste - Collection	22	22	22	12	12	13	13	12	12	12
Solid Waste - Disposal	7	7	7	6	6	5	5	5	3	3
Total	258	265	258	249	252	246	248	255	230	231

Source: City of Gainesville Human Resources department.

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

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

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police										
Calls for Service	22,378	21,421	25,562	29,345	32,283	35,286	31,350	30,830	36,480	39,749
Arrests	1,282	1,365	1,298	1,433	1,623	1,579	1,545	1,318	913	906
Municipal Court										
Cases Filed	4,679	4,916	4,630	5,325	6,537	6,078	5,480	6,157	6,438	5,264
Cases Disposed	3,732	3,178	5,827	5,372	6,891	6,056	6,095	5,867	6,433	6,434
Class C Warrants Filed	11	639	2,353	1,905	1,685	1,449	2,191	1,674	1,719	1,656
Juvenile Cases Filed	143	262	285	297	308	376	322	449	321	224
Fire										
Number of calls	---	---	733	677	824	890	791	761	667	711
Number of fires	---	---	147	120	199	208	108	137	136	120
Rescue/EMS incidents	---	---	84	94	126	112	146	140	165	173
Streets										
Potholes Patched	---	---	1,042	2,355	2,979	2,644	3,259	4,465	4,146	5,498
Storm drains cleaned	---	---	705	1,590	344	539	1,192	967	564	153
Miles of streets swept	---	---	---	---	---	1,240	1,068	1,052	711	527
Golf Course										
Rounds of golf	---	---	---	---	---	14,051	10,654	16,619	15,337	11,340
Community Development										
Building Permits	363	280	567	613	572	1,226	808	994	775	916
Value of Building Projects (in thousands)	8,390	6,081	24,024	16,187	27,835	20,949	8,429	14,625	1,350	3,008
Number of Inspections	---	---	1,517	1,847	1,628	1,859	2,897	1,742	1,265	1,074
Finance										
Number of invoices paid	11,569	11,409	8,656	7,773	7,419	6,935	6,734	6,760	6,295	6,467
Received CAFR award	Yes									
Received Budget Presentation award	N/A	Yes								
Number of Payroll checks prepared	7,324	6,797	6,667	6,721	6,726	6,584	6,134	6,215	6,023	6,080
Water System										
Number of water customers	6,011	---	6,008	---	5,938	6,097	6,015	6,022	6,089	6,079
New Connects	---	---	1,225	1,337	1,431	1,336	1,247	1,472	1,398	1,420
Daily average water consumption (mil gls)	2.5	2.6	2.6	2.6	2.6	2.6	1.9	2.4	22	24
Maximum daily pumping capacity (mil gls)	6.2	6.8	6.8	6.8	6.8	6.8	6.9	6.5	4.9	6.8
Maximum storage capacity (mil gls)	4.8	4.9	4.9	4.9	4.9	4.9	3.8	3.8	3.8	3.8
Wastewater System										
Number of wastewater customers	5,723	---	5,717	---	5,764	5,929	5,724	5,738	5,775	5,918
Daily average treatment(mil gls)	1.7	1.7	2.8	2.8	2.8	1.6	1.5	1.3	1.4	1.5
Maximum daily treatment capacity(mil gls)	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Airport										
Gallons of aviation fuel pumped	289,811	310,000	310,432	261,659	261,815	255,544	292,994	287,528	235,378	230,375

Source: Various City departments.

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

City of Gainesville
Capital Asset Statistics by Function
Last Ten Years

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	---	---	---	---	---	9	15	15	15	15
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Fire Hydrants	650	650	700	800	850	850	850	850	850	850
Fire Vehicles	12	12	13	13	13	13	13	13	13	13
Streets										
Miles of streets	117	117	117	117	120	120	120	120	132	129.71
Miles of streets maintained by City	89	89	89	89	90	90	92	92	86	96
Street Lights	---	1403	1403	1452	1494	1506	1506	1565	1565	1581
Parks & Recreation										
Number of Community/Civic Centers	2	2	2	2	2	2	2	2	2	2
Number of park areas	24	24	24	24	24	24	24	24	24	24
Park acreage	195	195	215	215	202	202	202	202	202	212
Number of golf courses	1	1	1	1	1	1	1	1	1	1
Number of swimming pools	1	1	1	1	1	1	1	1	1	1
Number of zoos	1	1	1	1	1	1	1	1	1	1
Water System										
Miles of water mains	120	120	120	120	124	124	124	130	137.5	137.5
Number of Water Treatment Plants	1	1	1	1	1	1	1	1	1	1
Wastewater System										
Miles of wastewater mains	120	130	130	130	132	132	132	132	132	132
Miles of storm drainage mains	6	3	6	6	6	6	8	9	10	10
Number of Wastewater Treatment Plants	1	1	1	1	1	1	1	1	1	1

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Sanitation										
Collection Trucks	---	---	---	14	14	14	14	14	13	9
Long Haul Trucks	2	2	4	5	5	5	5	5	5	4
Heavy Equipment Units	5	7	7	7	7	7	7	7	4	6
Vehicles	---	---	---	---	---	---	---	2	2	4
Carts (1)	0	0	0	0	0	0	0	0	400	5743
Airport										
Airport acreage	1280	1270	1270	1270	1336	1336	1336	1312	1308	1308
Number of runways	2	2	2	2	2	2	2	2	2	2
Number of hangars	4	4	4	4	4	4	4	4	6	6

Source: Various City Departments

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

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