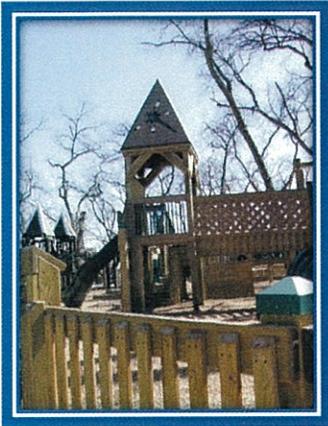


*Effie Doty Carroll Memorial  
Playground*



# City of Gainesville, Texas



# Comprehensive Annual Financial Report

**Fiscal Year Ending  
September 30, 2011**

**Effie Doty Carroll Memorial Playground**  
(Front Cover)

In 1999, The Community Parks of Gainesville, Texas Inc. built the first Community Playground in Leonard Park. In just five days, over 2,000 volunteers created the 8,000 square foot playground that local school children helped design. Guided by professionals, the people in our community came together with construction teams, tool men, food committees, children's teams and others to create what is one of the most celebrated active playgrounds in Cooke County.

In March of 2011, over 1,500 volunteers came together once again to expand and refurbish this playground, adding 7,000 square feet that includes many new play components children will enjoy for many years to come. The playground, now at 15,000 square feet, is the largest active playground in North Texas.



**City of Gainesville, Texas**

**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT**

Prepared by  
Finance Department

Fiscal Year Ended

September 30, 2011

# 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, 2010

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.



*Linda C. Davidson*

President

*Jeffrey R. Emer*

Executive Director

City of Gainesville, Texas  
 Comprehensive Annual Financial Report  
 September 30, 2011

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# Introductory Section



March 9, 2012

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, 2011, *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, as of 2010 U.S. Census a population of 16,002. The City is a home rule city and operates under the Council-Manager form of government. The City is comprised of six (6) wards. Each alternating year voters of three wards elect their representatives and in odd numbered year, a citywide election is held for the Mayor’s position. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney and City Secretary.

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

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

The City provides to its citizens a full range of services including police and fire protection, water and sewer service, solid waste disposal, park and recreational activities, special events, maintenance of streets, cemetery, and storm water control maintenance. In addition, the City provides planning for future land use, traffic control, building inspection and code compliance, operates one eighteen-hole golf course, the Frank Buck Zoo 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 world's 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 (5.1% vs. 7.8% and 9.0% 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 2010-2011:

- 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.
- 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 National Headquarters.
- 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 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 is being utilized 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 at US Highway 82 and State Highway 51 and the construction of continuous U-turns (Texas Turn-Arounds) at Highway 51. These improvements will provide development opportunities for large access parcels at the intersections and are expected to be completed in 2013. Moreover, this project will provide \$2 million worth of upgrades to the City's water and waste water utilities.
- Orteq Technologies, manufacturer of specialty oil field equipment, purchased an existing property and is making capital improvements (buildings, machinery and equipment) to the land. This has added seventy new jobs and will increase ad valorem tax and sales tax.

- In 2011, the engineering and environmental clearance were started for the Moss Lake Water Treatment Plant expansion and the Northwest Water Distribution Line. A \$7,235,000 project, the funding is provided through the Texas Water Development Board (WIF Program) and EPA STAG (State and Tribal Assistance Grant)

## **FINANCIAL INFORMATION**

### **Accounting Procedures and Budgetary Controls**

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

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

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

In addition, the City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General, Debt Service, Municipal Golf Course, Water and Sewer, Solid Waste, Airport, Stormwater, 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. 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 2011 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	2011	2010	2009	2008	2007
General	.432356	.4257	.3822	.3928	.36301
Debt Service	.214644	.2213	.2648	.2542	.28609
Total	.6470	.6470	.6470	.6470	.64910

For fiscal year 2011, the Total Assessed Taxable Value decreased \$25,291,477 or 3.3%.

## 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 2012-2016 was approved by the City Council and is included in the fiscal year 2012 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 \$24,830,101 in total capital expenditures. The CIP breaks these expenditures into two separate categories: recurring at \$4,169,001 or 16.8% and non-recurring at \$20,661,100 or 83.2%.

## **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 2012 to continue to increase reserves. At the close of Fiscal year 2011, the City had approximately one hundred fifty two (152) operating days cash reserve for the General Fund. Detailed financial policies are included as part of the City's budget document and in city ordinances.

## **OTHER INFORMATION**

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

## **Awards and Acknowledgments**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gainesville for Comprehensive Financial Report for the fiscal year ended September 30, 2010. This was the twentieth (20) year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a municipality must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

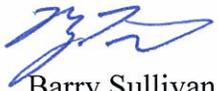
We believe that the City's current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

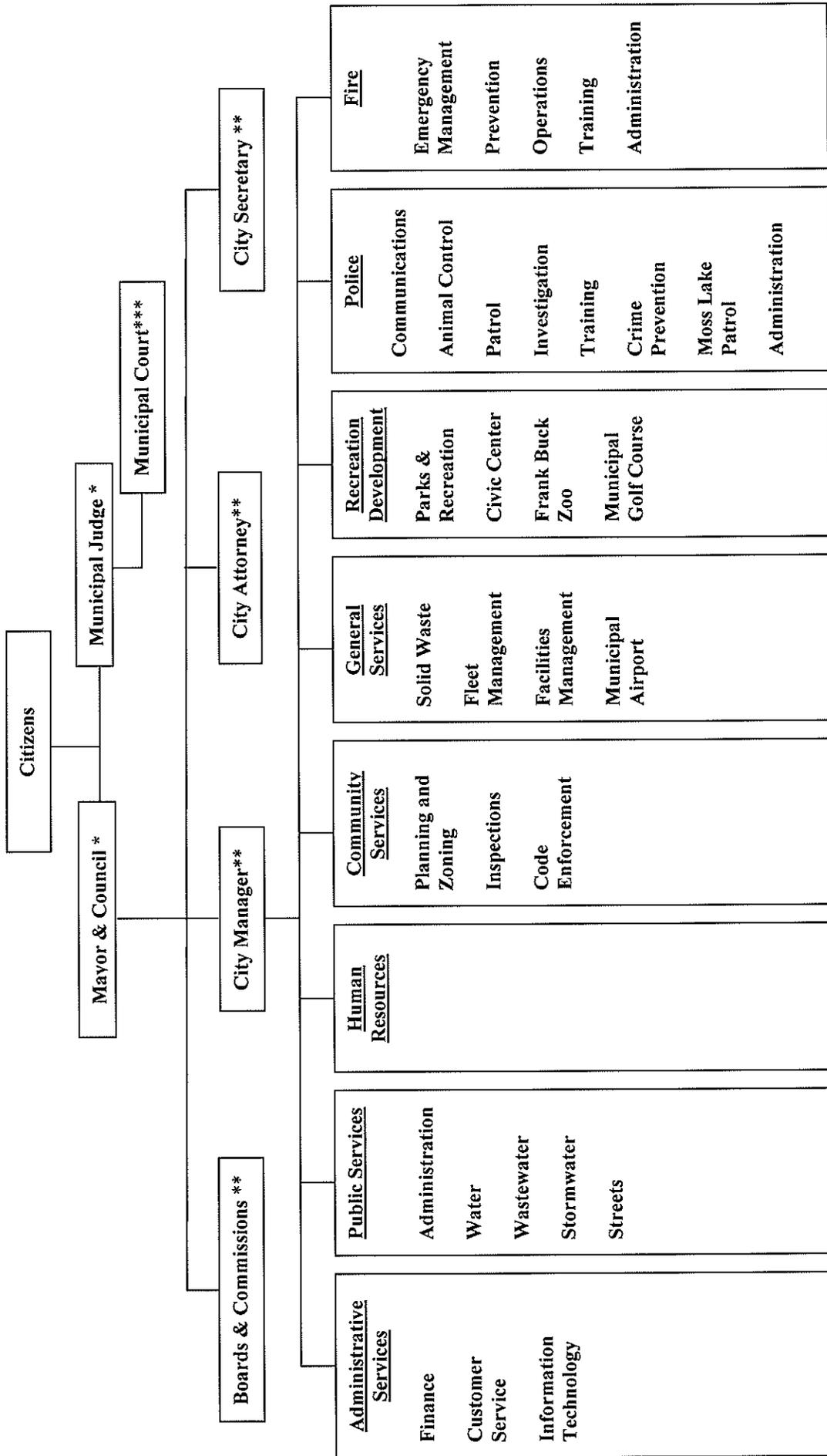
Sincerely,

  
Barry Sullivan  
City Manager

  
Daniel W. Parker  
Finance Director

  
Mary D. Jarvis  
Controller

City of Gainesville, Texas  
Organizational Chart



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

**CITY OF GAINESVILLE, TEXAS**  
**September 30, 2011**

**LIST OF PRINCIPAL OFFICIALS**

<b>Title</b>	<b>Name</b>
Mayor *	Jim Goldsworthy
Council Member & Mayor Pro Tem*	Ray Nichols
Council Member*	Carolyn Hendricks
Council Member *	Philip Neelley
Council Member *	Ken Keeler
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
Administrative Services 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



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**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, 2011, 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.

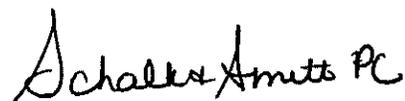
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2011, and the respective changes in financial position, cash flows where applicable and the respective budgetary comparison for the General 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 1, 2012 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 21 and 31 through 32 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 budgetary schedules, schedules of capital assets 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.



Schalk & Smith  
February 1, 2012

**City of Gainesville, Texas**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2011**

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, 2011. 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, 2011 by \$22,875,217 (net assets). Of this amount, \$17,427,179 in 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 \$5,088,934 or 28.6%. This is mainly due to an increase in current assets, specifically in cash.
- At September 30, 2011, the City's governmental funds reported combined ending fund balances of \$14,439,463, an increase of \$5,405,196 or 59.8% over the 2010 total fund balances. The largest increase was the Restricted for Construction; a \$2,970,772 increase due to the issuance of 2010 Certificates of Obligation. There was a \$159,842 increase in the fund balance for the Hotel/Motel Fund. This increase was mainly due to a \$118,851 increase in Occupancy Tax revenues. The Hotel/Motel funds are restricted and can only be used to promote tourism and the arts. Included in the combined ending fund balances is \$6,679,703, which is available for spending at the government's discretion (unassigned fund balances). This amount reflects a \$1,541,636 or 30.0% increase over 2010.
- At September 30, 2011, the Unassigned Fund Balance for the General Fund was \$6,679,703 or 52.2% of total General Fund expenditures.
- The City's total debt decreased by approximately \$2,152,294 or 7.2% during the current fiscal year reflecting 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.

**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.

**City of Gainesville, Texas**  
**Management's Discussion and Analysis**  
For the Year Ended September 30, 2011

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, occupancy tax and franchise fees provide the majority of the financing for these activities.

*Business-type activities* – Activities for which the City charges a fee to customers to pay most or all of the costs of a service it provides are reported here. The City's business-type activities include water 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 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

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fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison. These reconciliations explain the differences between the government's activities as reported in the government-wide statements and the information presented in the governmental funds financial statements.

The City maintains twenty-two individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Debt Service Fund, the 2010 Certificates of Obligation Fund and the 2008 General 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 connection with non-major governmental funds are presented immediately following the notes to financial statements.

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**Government-Wide Financial Analysis**

Total assets of the City at September 30, 2011, were \$54,084,013, while total liabilities were \$31,208,796 resulting in a net asset balance of \$22,875,217. This is a 28.6% increase from the prior fiscal year and is mainly due to an increase in Current Assets, specifically cash. At the end of fiscal year 2011, 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.

The City's total net assets equal \$22,875,217. A portion of the net assets, \$1,272,802 or 5.6%, 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 2.5%. Capital assets (land, buildings, machinery, and equipment) net of related debt total \$4,175,236 or 18.3% of total net assets. This represents a decrease of \$413,739 or 9.0% compared to the prior year. The largest portion of the City's net assets, \$17,427,179 or 76.2%, reflects unrestricted net assets which may be used to meet the City's ongoing obligations to the citizens and creditors.

Prior to fiscal year 2011, transactions related to large projects, including project costs, available cash and related debt, were accounted for in the fund(s) associated with the project for the audit. In 2011, the City decided to keep all aspects of a project in a designated capital project fund until completion. The decision was made because a large project, such as the Pecan Creek Flood Damage Reduction Project, can impact multiple funds. The city has an idea of the cost for each fund prior to the start of the project, but actual costs for each fund change during the construction phase of the project. These cost changes cause journal entries each year shifting liabilities and assets to match actual construction costs. Leaving the liabilities and assets in the appropriate project fund allows cash, debt and assets to be moved one time based on actual costs. Because of this decision, several adjusting journal entries were made to move prior year transactions back into the proper capital project funds; specifically, the 2008 General Obligation Fund and the 2010 Certificates of Obligation Fund. These adjusting entries affect governmental activities and business type activities causing large changes in cash, debt and capital assets between fiscal year 2010 and fiscal year 2011.

**Net Assets**

	Governmental Activities		Business Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$17,232,056	\$11,083,280	\$5,218,609	\$10,173,194	\$22,450,665	\$21,256,474
Capital assets	17,754,557	12,847,830	13,878,791	16,115,898	31,633,348	28,963,728
Total assets	34,986,613	23,931,110	19,097,400	26,289,092	54,084,013	50,220,202
Long-term liabilities outstanding	18,193,297	11,627,201	8,017,359	16,783,003	26,210,656	28,410,204
Other liabilities	3,305,854	1,941,889	1,692,286	2,081,826	4,998,140	4,023,715
Total liabilities	21,499,151	13,569,090	9,709,645	18,864,829	31,208,796	32,433,919
Net assets:						
Invested in capital assets, net of related debt	(1,359,842)	2,633,311	5,535,078	1,955,664	4,175,236	4,588,975
Restricted	1,272,802	1,241,202	-	-	1,272,802	1,241,202
Unrestricted	13,574,502	6,487,507	3,852,677	5,468,599	17,427,179	11,956,106
Total net assets	\$13,487,462	\$10,362,020	\$9,387,755	\$7,424,263	\$22,875,217	\$17,786,283

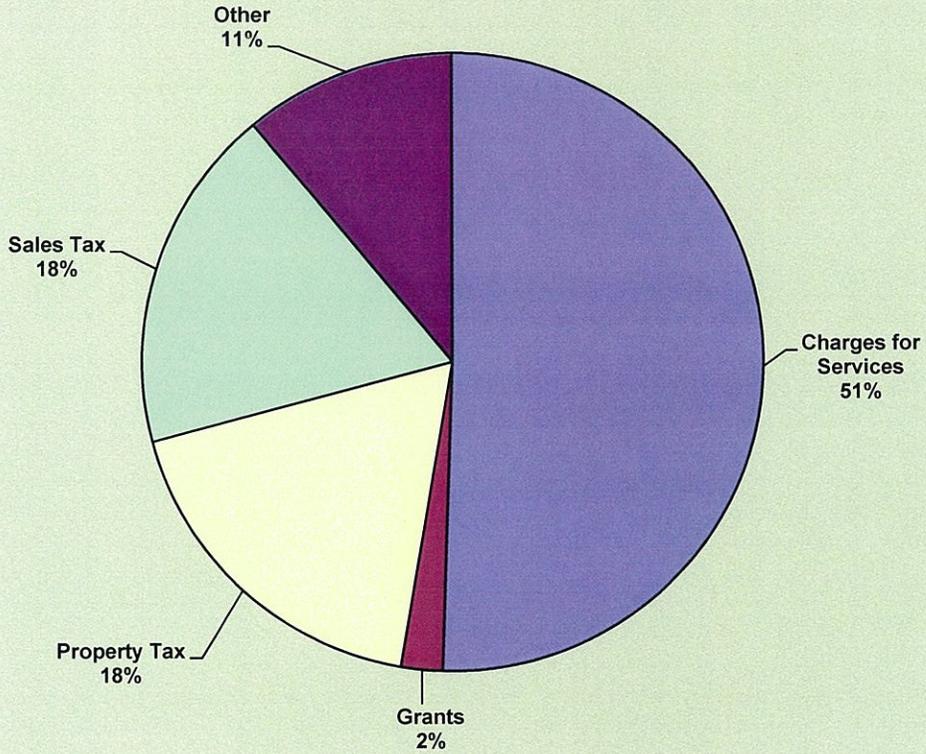
**City of Gainesville, Texas**  
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**Changes in Net Assets**

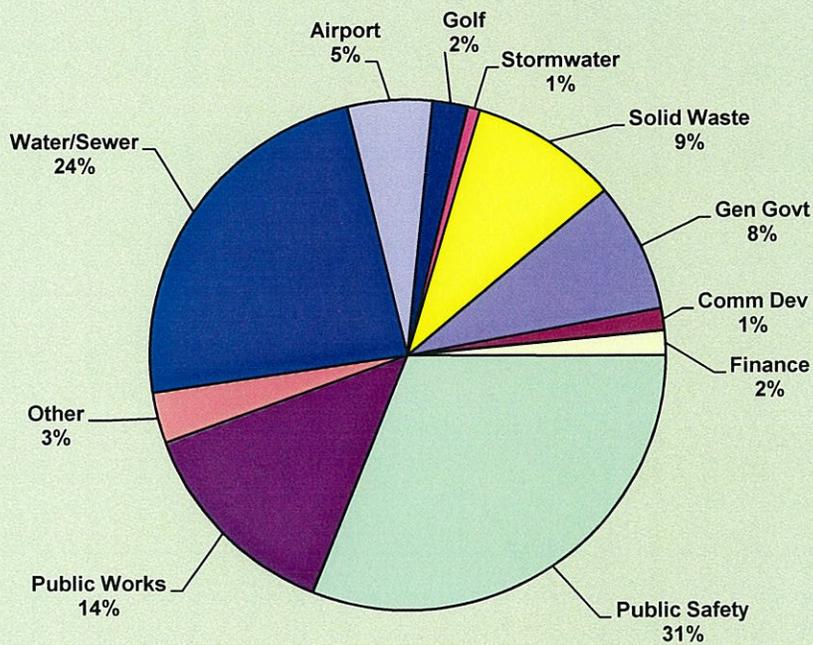
	Governmental Activities		Business Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Fines, fees, & charges for services	\$1,472,818	\$1,251,932	\$13,635,337	\$12,645,228	\$15,108,155	\$13,897,160
Operating grants & contributions	268,736	235,593	377,385	919,693	646,121	1,155,286
General revenues:						
Property taxes	5,424,213	5,626,157	-	-	5,424,213	5,626,157
Sales taxes	5,401,018	3,961,931	-	-	5,401,018	3,961,931
Other taxes & fees	1,935,302	1,697,810	-	-	1,935,302	1,697,810
Other misc.	1,354,866	688,930	14,462	20,143	1,369,328	709,073
Total revenues	15,856,953	13,462,353	14,027,184	13,585,064	29,884,137	27,047,417
Expenses:						
General Government	2,043,290	2,029,423	-	-	2,043,290	2,029,423
Community Development	347,571	410,999	-	-	347,571	410,999
Finance	400,922	401,758	-	-	400,922	401,758
Public safety	7,747,905	7,462,751	-	-	7,747,905	7,462,751
Public works	3,347,486	3,419,627	-	-	3,347,486	3,419,627
Interest on long term debt	808,937	450,764	-	-	808,937	450,764
Water & Sewer	-	-	5,890,140	5,539,750	5,890,140	5,539,750
Municipal Airport	-	-	1,339,425	1,097,044	1,339,425	1,097,044
Golf Course	-	-	558,961	550,564	558,961	550,564
Stormwater	-	-	194,267	393,324	194,267	393,324
Solid Waste	-	-	2,316,359	2,446,737	2,316,359	2,446,737
Total Expenses	14,696,111	14,175,322	10,299,152	10,027,419	24,995,263	24,202,741
Increase(decrease) in net assets before transfers	1,160,842	(712,969)	3,728,032	3,557,645	4,888,874	2,844,676
Transfers in(out)	2,108,944	2,002,451	(2,108,944)	(2,002,451)	-	-
Increase(decrease) in Net Assets	3,269,786	1,289,482	1,619,088	1,555,194	4,888,874	2,844,676
Net Assets 10/01	10,362,020	9,072,538	7,424,263	5,869,069	17,786,283	\$14,941,607
Prior Period Adjustment	(144,344)	-	344,404	-	200,060	-
Net Assets 09/30	\$13,487,462	\$10,362,020	\$9,387,755	\$7,424,263	\$22,875,217	\$17,786,283

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**City Revenues 2011**



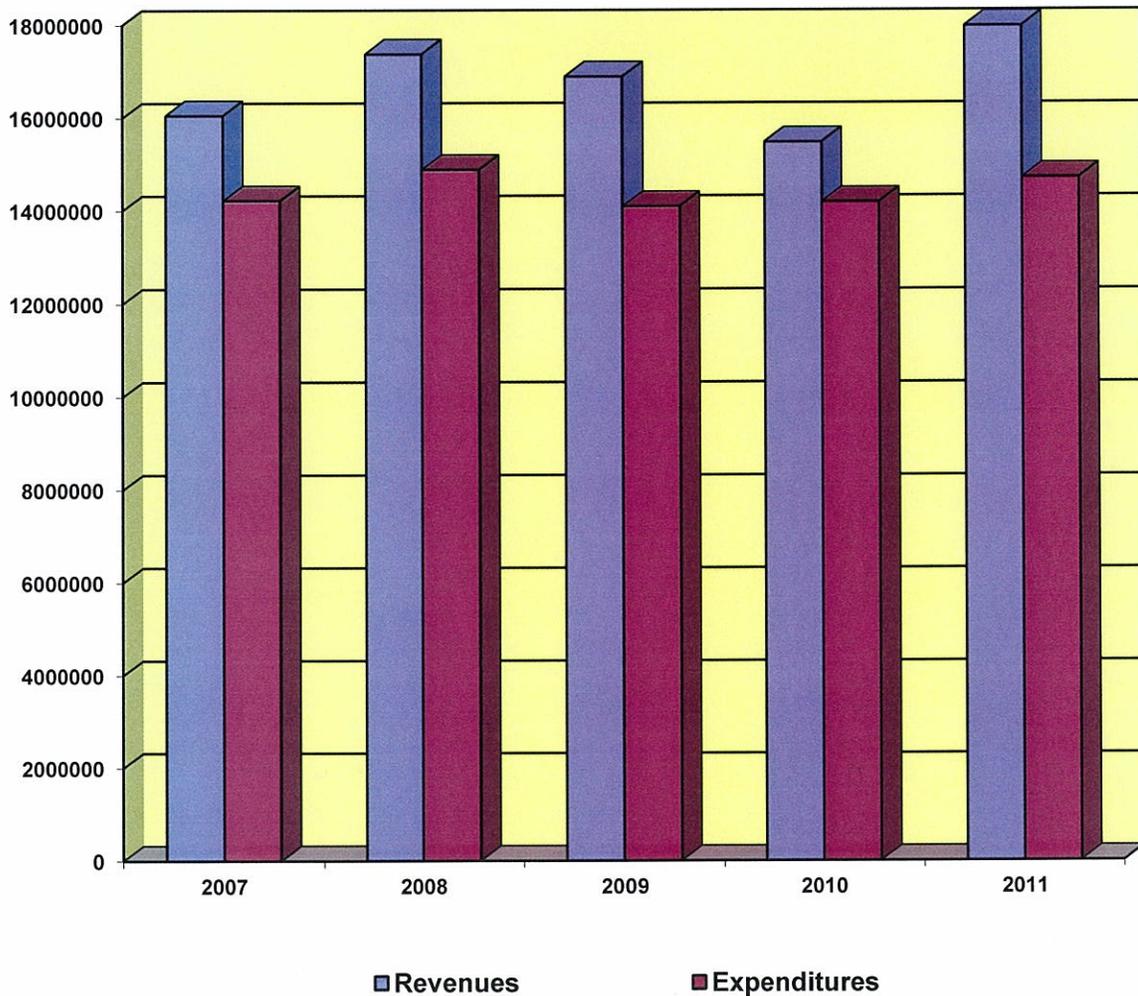
**City Expenses 2011**



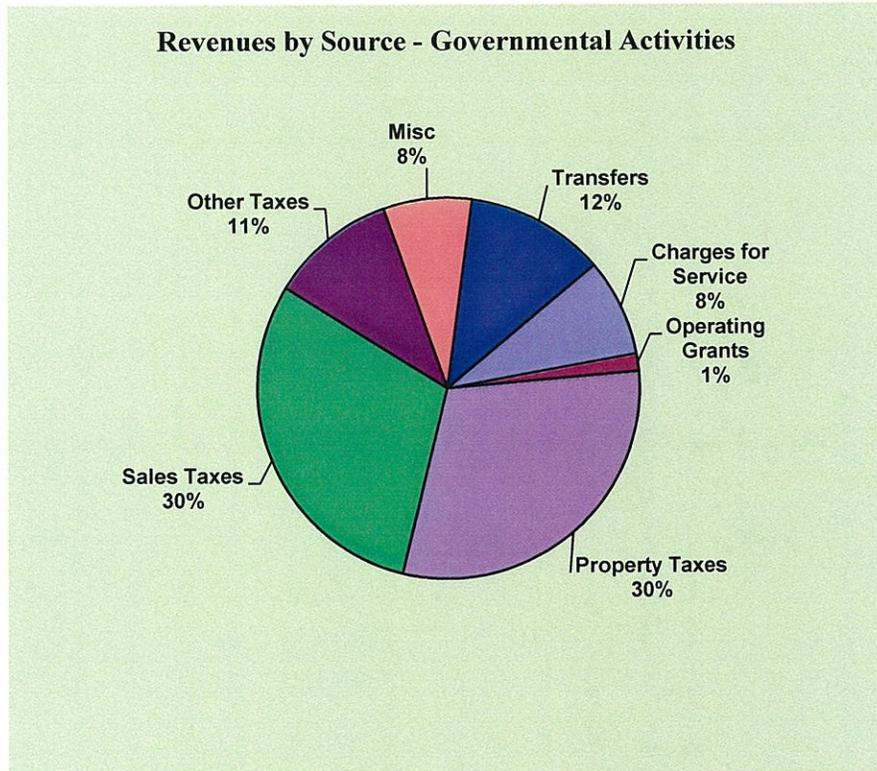
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**Governmental Activities.** Total revenues increased \$2,394,600 or 17.8% compared to the prior year. The greatest increase was in Sales Tax, increasing \$1,439,087 or 36.3%. This increase in Sales Tax is mainly from the oil and natural gas industries, but also the economy in Gainesville is showing signs of recovery. Property Tax decreased slightly in 2011 by \$201,944 or 3.6%. Other Taxes and Fees in 2011 increased \$237,492 or 14.0% over 2010. Total expenses for 2011 increased \$520,789 or 3.7% compared to the prior year. The Public Safety activity increased \$285,154 or 3.8%. Interest on Long-Term Debt increased \$358,173 or 79.5%. This increase is mainly due to the change in accounting for two large projects funded by long-term debt. See page six (6) for more information. The net assets of the Governmental Activities increased from the prior year \$3,125,442, or 30.2%. This increase is mainly due to the improvement in revenues as well as the continued efforts by all departments to reduce their expenses. A Prior Period Adjustment of \$144,344 reducing Net Assets reflects the reclassification of the Interstate 35 project from a Governmental Activity to a Business-Type Activity, the re-alignment of sales tax accruals and the project accounting change described on page six (6).

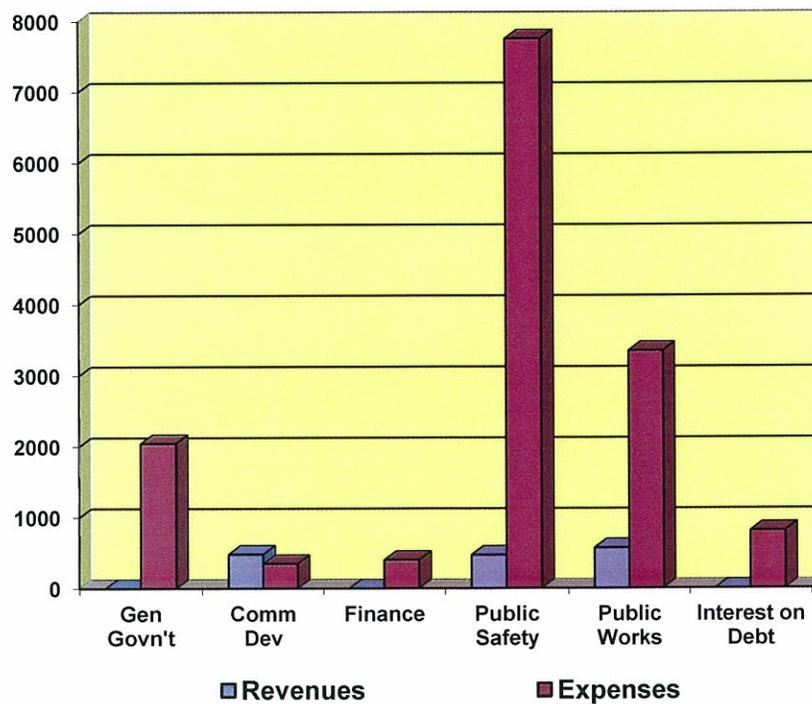
**Governmental Activity**  
**Five Year History**



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

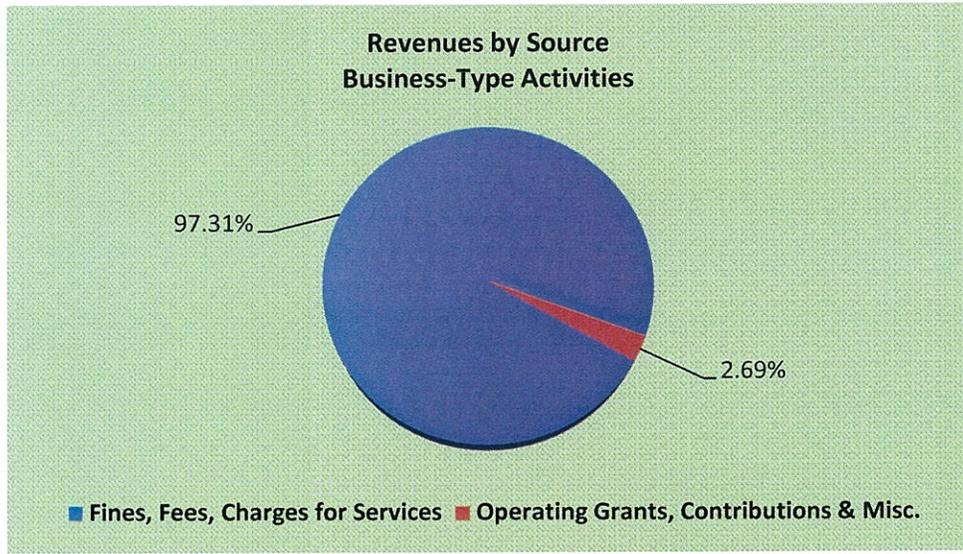


**City of Gainesville, Texas**  
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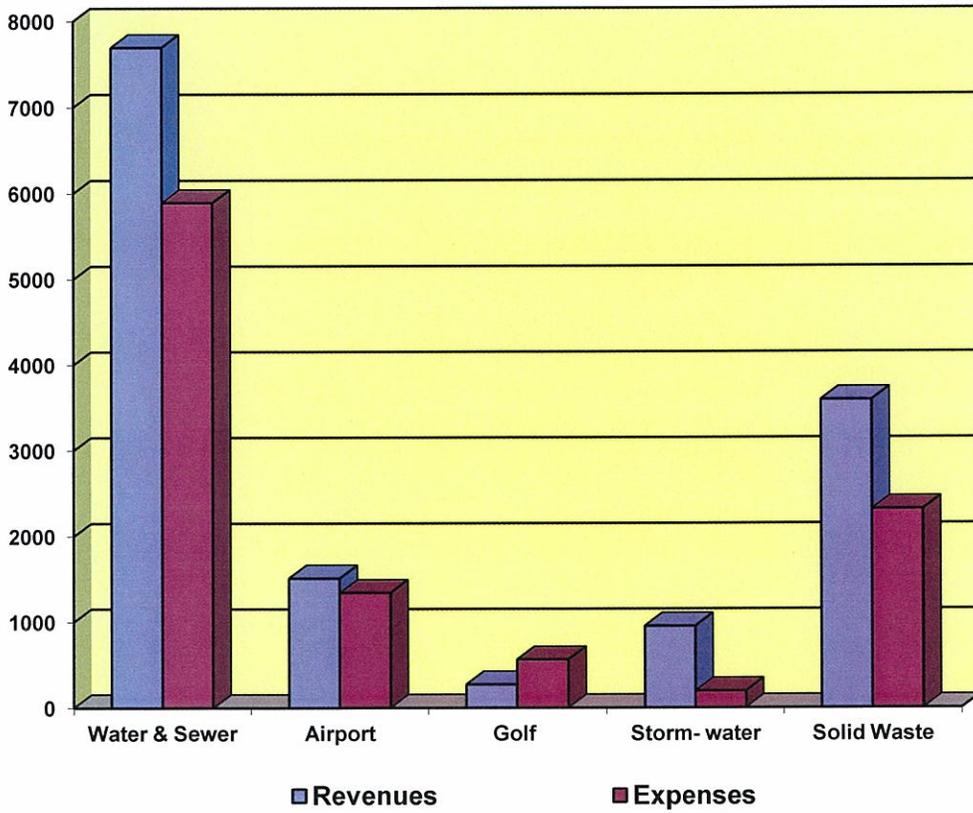
**Business-Type Activities.** Total business-type revenues increased \$442,120 or 3.3%. The increase was mainly in the Fines, Fees and Charges for Services which increased \$990,109 or 7.8%. The greatest increase in this category was in the Water and Sewer Fund revenues with an increase of \$584,714 or 8.2%, which is attributed to increased water use during the 2011 drought. The revenues of the Airport and Solid Waste Funds increased \$235,778 or 2.6% and \$195,446 or 5.8% respectively. Operating Grants & Contributions decreased \$542,308 or 59.0%.

Total expenses increased in fiscal year 2011 by \$271,733 or 2.7%. The Water & Sewer Fund expenses increased \$350,390 or 6.3%. The expenses of the Airport and Golf Course funds also increased \$242,381 or 22.1% and \$8,397 or 1.5% respectively. The Stormwater Utility and Solid Waste funds decreased expenses \$199,057 or 50.6% and \$130,378 or 5.3% respectively. The decrease in Stormwater Utility Fund is mainly due to the restructuring of the project accounting discussed on page six (6). All departments in the City continue to make every effort to reduce expenses. The total net assets of the business-type activities increased from the prior year \$1,963,492 or 26.4%.

**City of Gainesville, Texas  
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**Expenses and Program Revenues  
Business-Type Activities  
(in thousands)**



**City of Gainesville, Texas**  
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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, Unassigned Fund Balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$14,439,463, an increase from the prior year of \$5,405,196 or 59.8%. This increase is mainly due to the issuance of the \$4,880,000 in 2010 Certificates of Obligation for the Street Utility Maintenance Program (S.U.M.P.) and the restructuring of accounting for large projects discussed on page six (6). The General Fund had a fund balance increase of \$1,628,047 or 32.2%. A prior period adjustment of \$455,443 represents 28.0% of this increase. The adjustment is for the re-alignment of the sales tax accruals. The State of Texas remits collected sales taxes to the City in sixty (60) days arrears. Therefore, the sales tax accruals were changed to reflect a sixty day accrual rather than a thirty day accrual.

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

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

Approximately 46.3%, or \$6,679,703 of the combined fund balances, constitutes the unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is classified as follows: Non-spendable \$459 or 0.003%, Restricted \$6,191,136 or 42.9%, Committed \$1,272,802 or 8.8%, and Assigned \$295,363 or 2%.

The General Fund is the chief operating fund of the City. At the end of 2011, unassigned fund balance of the General Fund was \$6,679,703, an increase from the prior year's unreserved fund balance of \$1,628,216 or 32.2%. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. The Unassigned Fund Balance represents 52.2% of total General Fund expenditures, and total fund balance represents 52.2% of total General Fund expenditures. Key factors contributing to the increase of the General Fund fund balance are:

- Sales Taxes increased \$1,439,087 or 36.3%.
- Other local taxes and fees increased \$117,757 or 9.5%.
- With the exception of Public Safety, all departments reduced expenses for 2011.

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The Debt Service Fund has a restricted fund balance of \$844,347. This fund balance increased during the year by \$161,955 or 23.7%. The Hotel/Motel Fund is used to account for hotel occupancy tax revenues and expenditures and shows an ending restricted fund balance of \$353,043. This reflects a \$159,842 or 82.7% increase. Revenues increased \$118,852 or 25.7%. Expenditures and transfers out decreased \$541,492 or 56.2%. Included in the governmental funds for 2011 are the 2010 Certificates of Obligation Fund and the 2008 General Obligation Fund. These funds combined reflect a restricted fund balance increase of \$2,978,771, which is a result of the restructuring of project accounting as discussed on page six (6).

**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 \$1,585,805; the Solid Waste Fund \$1,929,531; Stormwater Utility Fund \$601,568; Golf Course Fund at a negative \$187,988; and the Municipal Airport Fund at a negative \$76,239. Total net assets in the Water and Sewer Fund increased \$988,381 or 32.8%. Operating revenues increased \$584,714 or 8.2% while operating expenses increased \$444,232 or 8.5%. There also was a Prior Period Adjustment of \$482,839 for the restructuring of project accounting discussed on page six (6) and the reclassifying of the I-35 project from a governmental fund activity to a proprietary fund activity. Total net assets in the Solid Waste Fund increased by \$323,745 or 63.5%. Operating revenues increased \$195,446 or 5.8%. Operating expenses decreased \$110,814 or 4.9%. Total net assets in the Stormwater Utility Fund increased by \$148,926 or 16.9%. Operating revenues decreased \$10,492 or 1.1%. Operating expenses decreased \$26,948 or 15.3%. There also was a Prior Period Adjustment of \$138,435 decreasing net assets for the restructuring of project accounting discussed on page six (6). Total net assets in the Golf Course Fund increased \$322,193 or 73.5%. This increase was mainly due to a transfer from the General Fund of \$498,805. The operating revenues decreased \$15,337 or 5.4%. The operating expenses increased \$8,902 or 1.6%. The total net assets in the Municipal Airport Fund increased by \$180,247 or 5.2%. Operating revenues decreased \$306,530 or 16.9%. The operating expenses increased \$244,303 or 22.7%.

Business-type activities increased the City's net assets by \$1,963,492. 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 decreased total liabilities \$479,224, specifically Revenue Bonds Payable with scheduled debt payments.
- The Water and Sewer Fund saw an increase in Cash and Service Receivables of \$543,417 or 125.3% and \$135,187 or 19.0%, respectively.
- The Stormwater Fund increased Cash by \$171,605 or 50.4%. Current Liabilities were decreased by \$159,919 or 51.8%
- The Municipal Airport increased Total Capital Assets \$185,010, mainly in Construction In Progress. This is a result of the Texas Department of Transportation grant to the City for Airport improvements. Liabilities increased slightly by \$24,312.
- The Golf Course current liabilities (accounts payable, interfund payables, and capital leases) decreased \$347,141 or 64.1% and Noncurrent Liabilities decreased \$7,038 or 8.4%.

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**General Fund Budgetary Highlights**

At the end of the third quarter of fiscal year 2011, the City Council passed a resolution amending the original budget, increasing budgeted revenues \$956,771 and budgeted expenditures \$945,775. Revenues, particularly Sales Tax, were projected to exceed budget by \$1,071,437. Because of this, capital purchases requested for fiscal year 2012 were approved by the Council to be purchased in fiscal year 2011 and liabilities were reduced through the buyback of compensatory time.

The revenues in the original budget for FY 2011 were increased in the final budget by \$1,719,436 or 18.1%. This increase was mainly in Sales Tax in the amount of \$1,071,437. The actual revenue total at year-end was more than the final budget by \$1,310,552 or 11.7% and was \$3,029,988 or 31.8% more than the original budget. The actual revenue ending at more than the final budget is mainly due to \$624,755 in Sales Tax and \$650,000 in unbudgeted contributions from the State of Texas Department of Transportation for the Broadway Street Bridge project. Also, ad valorem tax came in \$103,340 over the final budget.

The final budget for General Fund total expenditures was increased from the original budget by \$783,645 or 6.8%. The Capital Outlay budget was increased \$600,728. Decreases were made in all departments of the General Fund with the exception of the Planning & Zoning, Fire, Municipal Court, Administration, Parks and Cemetery departments, which had minor increases. The actual total expenditures for fiscal year 2011 were \$1,277,730 or 11.1% over the original budget and \$494,085 or 4.0% over the final budget. Capital projects ended over the final budget by \$695,231, mainly due to the completion of the Broadway Street Bridge project contributed to the City by the State of Texas Department of Transportation. All departments finished the year under the original and final budgets except the following: Main Street Operations, Legal Services, Finance, Human Resources, and Fire. The Municipal Court finished the year over the original budget, but under the final budget. Transfers-out ended the year \$678,081 over the original budget. This was mainly due to incorporating the Frank Buck Zoo Fund into the General Fund. The Zoo Fund had a negative fund balance, hence, \$553,104 had to be transferred from the General Fund to absorb the Frank Buck Zoo Fund.

The \$6,680,162 actual ending fund balance is \$523,060 greater than the final budgeted amount and \$1,512,012 greater than the original budgeted amount. A \$455,443 Prior Period Adjustment contributed to the increased fund balance. This adjustment was due to the realignment of sales tax accruals as discussed on page thirteen (13).

**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, 2011, amounts to \$31,633,348 (net of accumulated depreciation). The investment in capital assets includes land, buildings, equipment, improvements, and construction-in-progress. Governmental capital assets increased \$4,906,727 or 38.2%. Business-type capital assets decreased \$2,237,107 or 13.9%. The large change in capital assets between governmental and business-type activities is mainly due to the project accounting changes discussed on page six (6). The City's total investment in capital assets increased for the current fiscal year \$2,669,620 or 9.2% compared to the prior fiscal year.

**City of Gainesville, Texas**  
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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 were issued for the first phase of the drainage improvements project. The project was started in 2003 and continued through fiscal year 2009. General Obligation Bonds Series 2008 in the amount of \$5,425,000 were 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 and the sewer trunk line was completed in 2011. Approximately \$634,762 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 runway and taxiways. Approximately \$407,290 was spent on these improvements in 2011.
- The City has continued the radio read meter project in fiscal year 2011. Approximately forty percent (40%) of the city has the radio read meters at a cost of \$259,341 as of 2011.
- 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. The City has started construction on four roads which will be completed in early 2012.
- The City authorized engineers to start a crack seal project, which will improve 168,490 square yards of roadway.
- 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 \$45,077 was spent in 2011 towards this program.
- Approximately \$200,000 was donated to the City in the form of a new playground for Leonard Park. Over 1,200 volunteers built a 1,500 square foot addition to the park playground with donated funds from the Community Parks of Gainesville, Texas Inc.
- The City started \$50,000 worth of improvements to the historic Leonard Park Pavilion.
- The City started the engineering for the expansion of the Moss Lake Water Treatment Plant and the Northwest Water Distribution Line.
- The City spent \$53,787 for the Police in-fleet technologies. This included new laptops, docking stations and printers for all patrol cars.
- The Gainesville Fire Department spent \$109,892 on a major upgrade of communication equipment. This was funded by the Homeland Security grant.
- The State of Texas constructed a new bridge on Broadway Street spanning the Pecan Creek. This bridge was given to the City at a value of \$650,000.

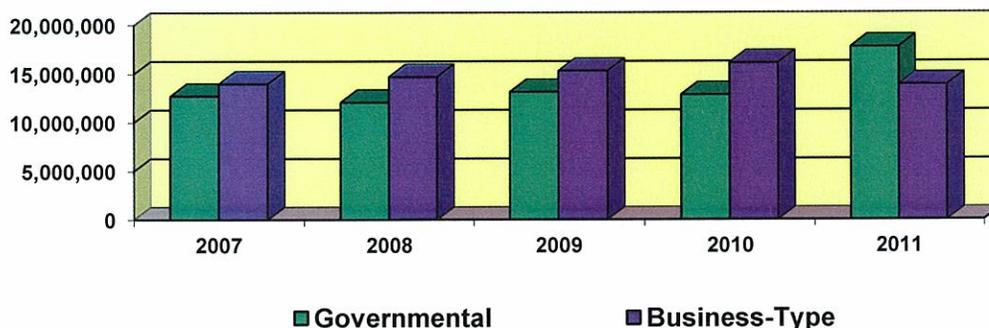
Additional information on the City's capital assets can be found in note III D of this report.

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**City of Gainesville**  
**Capital Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$920,036	\$920,036	\$509,299	\$873,333	\$1,429,335	\$1,793,369
Buildings	9,454,324	9,398,952	2,306,753	2,306,753	11,761,077	11,705,705
Improvements	78,120,021	77,232,017	24,292,653	26,326,568	102,412,674	103,558,585
Machinery & equipment	8,133,963	7,640,134	7,740,456	7,700,604	15,874,419	15,340,738
Construction in progress	5,198,895	540,450	2,657,132	1,166,602	7,856,027	1,707,052
Less accumulated depreciation	(84,072,682)	(82,883,759)	(23,627,502)	(22,257,962)	(107,700,184)	(105,141,721)
<b>Total</b>	<b>\$17,754,557</b>	<b>\$12,847,830</b>	<b>\$13,878,791</b>	<b>\$16,115,898</b>	<b>\$31,633,348</b>	<b>\$28,963,728</b>

**Capital Assets**  
**Five Year History**



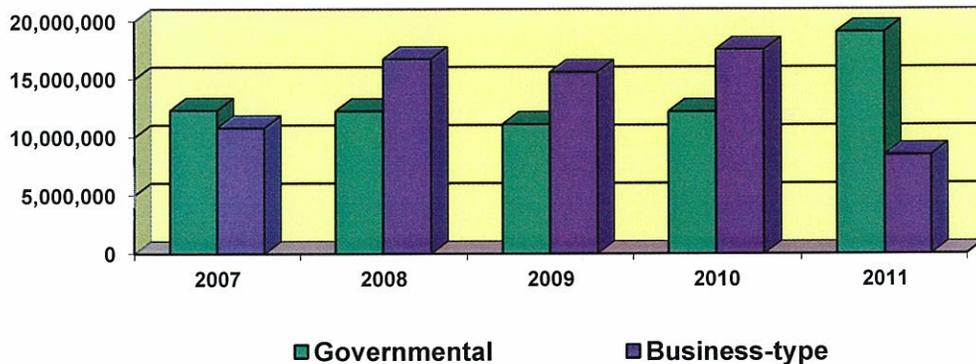
**Long-Term Debt.** As of September 30, 2011, the City of Gainesville had total debt outstanding of \$27,576,383. Of this amount, \$19,114,399 is in the Governmental Funds and \$8,461,984 is in the Business-Type Funds. The City's debt decreased by \$2,152,294 (7.2%) during the 2011 fiscal year. The decrease in outstanding debt reflects the scheduled debt payments in February and August 2011. In the chart below, the large changes from fiscal year 2010 to 2011 between governmental and business-type activities are due to the restructuring of project accounting as discussed on page six (6).

**City of Gainesville**  
**Outstanding Debt**

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$11,786,754	\$7,426,912	\$6,846,997	\$12,716,873	\$18,633,751	\$20,143,785
Certificates of obligation bonds	7,320,852	4,753,901	1,301,401	4,361,674	8,622,253	9,115,575
Capital leases	6,793	13,231	13,586	61,086	20,379	74,317
Tax Notes payable	-	-	300,000	395,000	300,000	395,000
<b>Total</b>	<b>\$19,114,399</b>	<b>\$12,194,044</b>	<b>\$8,461,984</b>	<b>\$17,534,633</b>	<b>\$27,576,383</b>	<b>\$29,728,677</b>

**City of Gainesville, Texas**  
**Management's Discussion and Analysis**  
For the Year Ended September 30, 2011

**Outstanding Debt**  
**Five Year History**



In the December of 2011, Moody's assigned the City's bond ratings at "A1". At the same time, Standard & Poor's assigned the City's bond ratings at "A+". The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on 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 continued focus of the City of Gainesville is to build and maintain unreserved, undesignated fund balances that match the city's established requirements and goals. Gainesville has been able to build this reserve over the past several years, which has allowed the city to start refocusing some attention to capital improvements throughout the city.

The major revenue source for the General Fund continues to be the City's 1.25-cent sales tax. The current economic situation in Gainesville is showing signs of a recovery. The 2012 Budget is projecting an increase in sales tax collections of \$363,688 or 9.65% over the 2011 Budget. The second largest revenue source for the General Fund is ad valorem (property) taxes. Based on the tax rate \$0.6470 per \$100 of property value, the total ad valorem tax revenue (including delinquent penalties) is projected to increase over the 2011 budget by \$96,242 or 2.8%. The City's tax rate has remained unchanged since fiscal year 2008.

In the Water and Sewer Fund, over the last few years there has been a community wide change in water usage. The community as a whole has reduced summer lawn watering. This conservation trend is now considered the normal pattern. The 2012 budget includes a 3% rate increase to assure that the base fees cover expenses. Expenses are projected to increase 1.6% over the 2011 budgeted amount.

The 2012 revenues for the Solid Waste Fund are projected to remain flat with the 2011 budget. Expenses will increase 4.98% due to the purchase of capital pieces of equipment. A portion of the Solid Waste fund balance will be used to purchase this equipment. Even with the utilization of the Solid Waste fund balance, the fund will maintain a 228 day balance. This high fund balance is the reason the City has decided to use cash to pay for the equipment instead of issuing

**City of Gainesville, Texas**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2011**

debt. This practice is also supported by our investment policy, which states imprudently large fund balances shall be used for capital purchases.

All other funds are projected to increase revenues 16.7% over the 2011 budget. Expenses are projected to increase 14.7% over the 2011 budget. The main factor in both revenue and expense increases is in the Airport. Airport Fuel sales are projected to increase 110.3% and the cost of fuel is projected to increase 146.9%.

The 2012 budget includes a personnel "pay-for-performance" program which had been discontinued the last two budget years. It also includes a reduction from 11.00% to 10.43% match for retirement contributions. This decrease is due to the City paying more than the phase-in rate over the last three years for the Texas Municipal Retirement System (TMRS) and legislation that allowed the retirement system to restructure the accounts in the pension trust. Gainesville has reached the full matching rate for TMRS. This reduces the City's actuarial loss and limits the increase in the rate for future valuations.

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

Capital projects for 2012 total \$13,554,384 which is 40.3% more than the 2011 fiscal year. These projects for 2012 include the following which are funded with O & M Budgets, General Obligation and Certificates of Obligation bonds, a State and Tribal Assistance Grant (STAG), a Texas Department of Transportation grant, Texas Water Development Board Water Infrastructure funds, Homeland Security Grants and lease purchase agreements:

- Recurring machinery, vehicles and equipment at \$906,821
- Pecan Creek channelization and bridge improvements at \$3,139,786
- Street Utility Maintenance Project (S.U.M.P.) at \$1,393,450
- New water treatment plant and northwest water distribution improvements at \$7,096,490
- Rebuild Airport taxiways at \$302,837
- Master Plan for Waste Water Treatment at \$50,000
- Engineering for new swimming pool \$240,000
- Completion of the refurbishment of the historic Leonard Park Pavilion at \$25,000

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

- Implemented a radio read system on water meters (40% completed)
- Computers installed in Fire Trucks
- GPS location systems have been installed in police vehicles
- Upgrade Emergency Communications Center
- New laptops, docking stations and printers for all Police patrol cars
- Code Enforcement automated system to send notices and tickets for violations

**City of Gainesville, Texas**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2011**

**The General Fund.** In the fiscal year 2012 budget, General Fund revenues and transfers-in are budgeted to decrease by 14.2% from fiscal year 2011 actual amounts. It should be noted that included in the 2011 actual revenues is \$200,000 for the Community playground built with donated labor and money and \$650,000 for the Broadway Street Bridge built by the State of Texas and donated to the City. Property Tax revenues are budgeted to decrease \$85,141 or 2.3% with property tax revenues making up 27.5% of the fiscal year 2012 revenue budget. Certified property tax values for 2012 increased 0.9% 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 41.6% of the fiscal year 2012 budget, and are budgeted to decrease 20.1% from fiscal year 2011 actual amounts. The majority of the budgeted decreases are in Sales Taxes. In 2011 the City received two large, unexpected sales tax payments from one company that is not expected to pay sales tax to the City in 2012. The amount of Sales Taxes budgeted for 2012 is a 9.6% increase over the amount budgeted for 2011. Expenditures and transfers-out in the General Fund for fiscal year 2012 are budgeted at an 8.1% decrease from the actual expenditures and transfers-out for the previous fiscal year 2011. This decrease is mainly due to additional transfers out to other funds in 2011 that are not budgeted in 2012 and the Zoo Fund being incorporated into the General Fund.

**The Water & Sewer Fund.** Water and Sewer Fund operating revenues are budgeted to decrease 3.0% in fiscal year 2012 from fiscal year 2011 actual figures. This projected decrease from 2011 is due to the fact that in the summer of 2011 Gainesville experienced an extreme drought and excessive heat causing water consumption to increase. The 2012 budget is based on the new conservation trend observed over the last few years where citizens are using less water. Because of this trend, rates were raised 3% for 2012. Fiscal year 2012 expenses and transfers-out are expected to increase 6.3% from actual expenses and transfers-out for fiscal year 2011.

**The Stormwater Utility Fund.** The fiscal year 2012 budgeted revenues for the Stormwater Utility Fund are projected to increase slightly by 1.8%. Expenses are projected to increase 27.6% due to budgeted capital purchases in 2012.

**The Municipal Airport Fund.** The Municipal Airport Fund is projecting an increase in budgeted revenues for fiscal year 2012 from the actual revenues for fiscal year 2011 by 19.9%. This increase is mainly in fuel sales and grant revenues. An 11.8% increase in expenses for fiscal year 2012 is budgeted compared to actual expenses for fiscal year 2011. This increase is mainly in Avgas/Jet A Fuel expense.

**The Golf Course Fund.** The Golf Course Fund revenues for fiscal year 2012 are budgeted to decrease 14.6% from the actual revenues for fiscal year 2011. This decrease is mainly in Transfers In from the General and Debt Service Funds. The budgeted expenses for fiscal year 2012 are 3.4% more than the actual fiscal year expenses for 2011.

**The Solid Waste Fund.** The 2012 budgeted revenues in the Solid Waste Fund are 0.1% more than the 2011 actual revenues. Operating expenses and transfers-out are budgeted in 2012 to increase 10.9% from the 2011 actual expenses and transfers-out due to budgeted capital purchases in 2012.

**City of Gainesville, Texas**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2011**

The previous fiscal years have reflected the state and national economic down turn; however, the City is starting to see positive indicators with a 5.1% unemployment rate. This low unemployment rate has been established by the expansion of current businesses as well as new businesses in the community. These new jobs range from airplane seat assembly line workers at Weber Aircraft to corporate executive positions in the new Select Energy Services National Headquarters. This type of diversification has been one of the main reasons for Gainesville's low unemployment rates over the past few years. The City continues to have agriculture, metal fabrication, plastic molding, metal finishing, laser cut home décor product manufacturing, poly-pipe manufacturing, the world's third largest casino five miles north of the City, and the petroleum industry 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, 2011**

	<b>PRIMARY GOVERNMENT</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash	\$ 14,212,398	\$ 3,324,506	\$ 17,536,904	\$ 1,731,170
Internal Balances	-	-	-	-
Receivables (Net of Allowances for Uncollectibles)				
Taxes	1,528,046	-	1,528,046	269,114
Service	-	1,451,714	1,451,714	-
Other	1,108,431	175,081	1,283,512	110,572
Inventories	459	-	459	-
Prepaid Expense	-	-	-	-
<b>Total Current Assets</b>	<u>16,849,334</u>	<u>4,951,301</u>	<u>21,800,635</u>	<u>2,110,856</u>
<b>Noncurrent Assets:</b>				
<b>Restricted Assets</b>				
Cash	-	131,859	131,859	-
<b>Capital Assets</b>				
Land	920,036	509,299	1,429,335	397,371
Buildings	9,454,324	2,306,753	11,761,077	1,975,114
Improvements	78,120,021	24,292,653	102,412,674	-
Machinery & Equipment	8,133,963	7,740,456	15,874,419	39,630
Construction in Progress	5,198,895	2,657,132	7,856,027	-
Less Accumulated Depreciation	(84,072,682)	(23,627,502)	(107,700,184)	(541,157)
<b>Total Capital Assets</b>	<u>17,754,557</u>	<u>13,878,791</u>	<u>31,633,348</u>	<u>1,870,958</u>
C.O. Issuance Costs, Net	382,722	135,449	518,171	-
<b>Total Noncurrent Assets</b>	<u>18,137,279</u>	<u>14,146,099</u>	<u>32,283,378</u>	<u>1,870,958</u>
<b>TOTAL ASSETS</b>	<u>\$ 34,986,613</u>	<u>\$ 19,097,400</u>	<u>\$ 54,084,013</u>	<u>\$ 3,981,814</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Current Liabilities:</b>				
Accounts Payable	\$ 2,147,053	\$ 607,708	\$ 2,754,761	\$ 23,090
Current Portion-Long Term Debt	1,158,801	1,084,578	2,243,379	-
<b>Total Current Liabilities</b>	<u>3,305,854</u>	<u>1,692,286</u>	<u>4,998,140</u>	<u>23,090</u>
<b>Noncurrent Liabilities:</b>				
Unearned Revenue	-	-	-	367,363
Accrued Compensated Absences	237,699	58,633	296,332	14,195
Postclosure Care Costs	-	581,320	581,320	-
Long-Term Debt	17,955,598	7,377,406	25,333,004	-
<b>Total Noncurrent Liabilities</b>	<u>18,193,297</u>	<u>8,017,359</u>	<u>26,210,656</u>	<u>381,558</u>
<b>TOTAL LIABILITIES</b>	<u>21,499,151</u>	<u>9,709,645</u>	<u>31,208,796</u>	<u>404,648</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	(1,359,842)	5,535,078	4,175,236	1,870,958
Nonexpendable				
Restricted for Permanent Endowment	1,272,802	-	1,272,802	-
Unrestricted	13,574,502	3,852,677	17,427,179	1,706,208
<b>TOTAL NET ASSETS</b>	<u>\$ 13,487,462</u>	<u>\$ 9,387,755</u>	<u>\$ 22,875,217</u>	<u>\$ 3,577,166</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, 2011**

FUNCTIONS/ACTIVITY	PROGRAM REVENUES		
	EXPENSES	FINES, FEES, AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
<b>Primary Government:</b>			
<b>Governmental Activities</b>			
General Government	\$ 2,043,290	\$ -	\$ -
Community Development	347,571	481,946	-
Finance	400,922	-	-
Public Safety	7,747,905	471,929	216,322
Public Works	3,347,486	518,943	52,414
Interest on Long-Term Debt	808,937	-	-
<b>Total Governmental Activities</b>	14,696,111	1,472,818	268,736
<b>Business-Type Activities</b>			
Water and Sewer	5,890,140	7,691,710	-
Municipal Airport	1,339,425	1,132,279	377,385
Golf Course	558,961	270,195	-
Stormwater	194,267	949,795	-
Solid Waste	2,316,359	3,591,358	-
<b>Total Business-Type Activities</b>	10,299,152	13,635,337	377,385
<b>Total Primary Government</b>	\$ 24,995,263	\$ 15,108,155	\$ 646,121
<b>Component Unit:</b>			
Gainesville Economic Development Corp.	\$ 1,115,611	\$ 303,981	\$ -

General Revenues:

Taxes

Property Taxes

Sales Taxes

Franchise Taxes

Occupancy Taxes

Mixed Beverage 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**

**Prior Period Adjustment**

**Net Assets-Beginning of Year, as restated**

**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**

<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS- TYPE ACTIVITIES</b>	<b>TOTAL</b>	<b>COMPONENT UNIT</b>
\$ (2,043,290)	\$ -	\$ (2,043,290)	\$ -
134,375	-	134,375	-
(400,922)	-	(400,922)	-
(7,059,654)	-	(7,059,654)	-
(2,776,129)	-	(2,776,129)	-
(808,937)	-	(808,937)	-
<u>(12,954,557)</u>	<u>-</u>	<u>(12,954,557)</u>	<u>-</u>
-	1,801,570	1,801,570	-
-	170,239	170,239	-
-	(288,766)	(288,766)	-
-	755,528	755,528	-
-	1,274,999	1,274,999	-
<u>-</u>	<u>3,713,570</u>	<u>3,713,570</u>	<u>-</u>
<u>\$ (12,954,557)</u>	<u>\$ 3,713,570</u>	<u>\$ (9,240,987)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (811,630)</u>
\$ 5,424,213	\$ -	\$ 5,424,213	\$ -
5,401,018	-	5,401,018	1,076,589
1,321,800	-	-	-
581,144	-	-	-
32,358	-	32,358	-
32,797	4,462	37,259	8,153
-	10,000	10,000	-
1,322,069	-	1,322,069	-
<u>2,108,944</u>	<u>(2,108,944)</u>	<u>-</u>	<u>-</u>
<u>\$ 16,224,343</u>	<u>\$ (2,094,482)</u>	<u>12,226,917</u>	<u>\$ 1,084,742</u>
<u>3,269,786</u>	<u>1,619,088</u>	<u>4,888,874</u>	<u>273,112</u>
10,362,020	7,424,263	17,786,283	3,304,054
(144,344)	344,404	200,060	-
<u>10,217,676</u>	<u>7,768,667</u>	<u>17,986,343</u>	<u>3,304,054</u>
<u>\$ 13,487,462</u>	<u>\$ 9,387,755</u>	<u>\$ 22,875,217</u>	<u>\$ 3,577,166</u>

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

**CITY OF GAINESVILLE, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2011**

	<b>MAJOR FUNDS</b>		
	<b>GENERAL FUND</b>	<b>DEBT SERVICE FUND</b>	<b>2010 CERTIFICATES OF OBLIGATION</b>
<b>ASSETS:</b>			
Cash	\$ 5,855,192	\$ 837,481	\$ 4,178,392
Restricted Cash	-	-	-
Receivables (Net of Allowances for Uncollectibles)			
Taxes	1,464,800	63,246	-
Other	1,033,387	7,166	-
Inventory	459	-	-
Due from Component Unit	-	-	-
Interfund Receivable	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 8,353,838</b>	<b>\$ 907,893</b>	<b>\$ 4,178,392</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts Payable	\$ 1,086,850	\$ 300	\$ 461,705
Interfund Payable	-	-	-
Deferred Revenue	586,826	63,246	-
<b>TOTAL LIABILITIES</b>	<b>1,673,676</b>	<b>63,546</b>	<b>461,705</b>
<b>FUND BALANCES:</b>			
<b>Nonspendable:</b>			
Inventories	459	-	-
<b>Restricted:</b>			
Debt Service	-	844,347	-
Construction	-	-	3,716,687
Tourism and the Arts	-	-	-
Other	-	-	-
<b>Committed:</b>			
Cemetery	-	-	-
<b>Assigned:</b>			
Stanford House	-	-	-
Construction	-	-	-
Other	-	-	-
<b>Unassigned</b>	<b>6,679,703</b>	<b>-</b>	<b>-</b>
<b>TOTAL FUND BALANCES</b>	<b>6,680,162</b>	<b>844,347</b>	<b>3,716,687</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,353,838</b>	<b>\$ 907,893</b>	<b>\$ 4,178,392</b>

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

<u>2008</u> <u>GENERAL OBLIG</u> <u>BONDS</u>	<u>OTHER</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>	<u>TOTAL</u>
\$ 1,314,791	\$ 2,026,542	\$ 14,212,398
-	-	-
-	-	1,528,046
-	67,878	1,108,431
-	-	459
-	-	-
-	-	-
<u>\$ 1,314,791</u>	<u>\$ 2,094,420</u>	<u>\$ 16,849,334</u>
\$ 100,871	\$ 110,073	\$ 1,759,799
-	-	-
-	-	650,072
<u>100,871</u>	<u>110,073</u>	<u>2,409,871</u>
-	-	459
-	-	844,347
1,213,920	-	4,930,607
-	353,043	353,043
-	63,139	63,139
-	1,272,802	1,272,802
-	162,312	162,312
-	114,862	114,862
-	18,189	18,189
-	-	6,679,703
<u>1,213,920</u>	<u>1,984,347</u>	<u>14,439,463</u>
<u>\$ 1,314,791</u>	<u>\$ 2,094,420</u>	<u>\$ 16,849,334</u>

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, 2011**

<b>Total Fund Balance - Total Governmental Funds</b>	<b>\$ 14,439,463</b>
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.	650,072
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 \$84,072,682.	17,754,557
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.	(97,254)
Certificates of obligation and bonds payable are not reported as liabilities in the governmental fund balance sheet. This amount represents total noncurrent liabilities related to governmental activities.	(19,614,389)
Costs associated with long term debt are not reported in the governmental funds balance sheets.	
Bond Issuance Costs	382,722
Deferred Loss on Early Extinguishment of Debt	518,753
Premium on Bonds	(18,761)
Compensated absences are not reported as liabilities in the governmental fund balance sheet.	(527,701)
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 13,487,462</u></b>

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, 2011**

	<b>MAJOR FUNDS</b>		
	<b>GENERAL</b>	<b>DEBT SERVICE FUND</b>	<b>2010 CERTIFICATES OF OBLIGATION</b>
<b>REVENUES:</b>			
Taxes			
Ad Valorem Taxes	\$ 3,649,040	\$ 1,821,115	\$ -
Sales Taxes	5,401,018	-	-
Franchise Tax	1,321,800	-	-
Occupancy Tax	-	-	-
Mixed Beverage Tax	32,358	-	-
Service Charges	291,465	-	-
License & Permits	185,630	-	-
Fines & Forfeitures	334,477	-	-
Investment Income	8,831	1,489	5,936
Intergovernmental Revenues	265,577	-	-
Other Income	1,058,901	36,706	-
<b>TOTAL REVENUES</b>	<u>12,549,097</u>	<u>1,859,310</u>	<u>5,936</u>
<b>EXPENDITURES:</b>			
Current			
General Government	1,226,204	74,620	511
Community Development	313,163	-	-
Finance	399,691	-	-
Public Safety	7,322,062	-	-
Public Works	1,958,145	-	-
Non Departmental	202,193	-	-
Debt Service			
Principal	-	1,039,008	-
Interest	-	774,173	-
Bond Issuance Costs	-	-	-
Capital Outlay	1,384,657	-	1,126,049
<b>TOTAL EXPENDITURES</b>	<u>12,806,115</u>	<u>1,887,801</u>	<u>1,126,560</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(257,018)</u>	<u>(28,491)</u>	<u>(1,120,624)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Issuance of Debt	-	-	-
Funds Transferred In	2,576,745	400,100	-
Funds Transferred Out	(1,147,123)	(209,654)	-
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<u>1,429,622</u>	<u>190,446</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>1,172,604</u>	<u>161,955</u>	<u>(1,120,624)</u>
<b>FUND BALANCE - October 1</b>	5,052,115	682,392	1,951,836
<b>PRIOR PERIOD ADJUSTMENT</b>	455,443	-	2,885,475
<b>FUND BALANCE - October 1, as restated</b>	<u>5,507,558</u>	<u>682,392</u>	<u>4,837,311</u>
<b>FUND BALANCE - September 30</b>	<u>\$ 6,680,162</u>	<u>\$ 844,347</u>	<u>\$ 3,716,687</u>

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

<u>2008</u> <u>GENERAL OBLIG</u> <u>BONDS</u>	<u>OTHER</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>	<u>TOTAL</u>
\$ -	\$ -	\$ 5,470,155
-	-	5,401,018
-	-	1,321,800
-	581,144	581,144
-	-	32,358
-	504,679	796,144
-	19,115	204,745
-	33,453	367,930
3,438	13,103	32,797
-	3,159	268,736
-	226,463	1,322,070
3,438	1,381,116	15,798,897
-	214,896	1,516,231
-	-	313,163
-	-	399,691
-	50,995	7,373,057
-	914,096	2,872,241
-	-	202,193
-	-	1,039,008
-	-	774,173
-	-	-
1,969,835	52,549	4,533,090
1,969,835	1,232,536	19,022,847
(1,966,397)	148,580	(3,223,950)
-	-	-
-	846,802	3,823,647
-	(357,926)	(1,714,703)
-	488,876	2,108,944
(1,966,397)	637,456	(1,115,006)
-	1,347,924	9,034,267
3,180,317	(1,033)	6,520,202
3,180,317	1,346,891	15,554,469
\$ 1,213,920	\$ 1,984,347	\$ 14,439,463

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, 2011**

**Net Change in Fund Balances - Total Governmental Funds** \$ (1,115,006)

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.	4,533,090
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	(27,289)
Amortization of Loss on Early Extinguishment of Debt	(36,614)
Amortization of Bond Premium	2,762
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.	(1,188,923)
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.	39,464
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.	(34,764)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This is the amount by which debt proceeds of \$-0- exceeds repayments of principal of \$1,039,008.	1,039,008
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.	<u>58,058</u>
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ 3,269,786</u></u>

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, 2011**

	<b>BUDGET</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES:</b>				
Ad Valorem Taxes	\$ 3,467,657	\$ 3,545,700	\$ 3,649,040	\$ 103,340
Sales Taxes	3,704,826	4,776,263	5,401,018	624,755
Franchise Tax	1,393,650	1,338,715	1,321,800	(16,915)
Mixed Beverage Tax	32,480	32,480	32,358	(122)
Service Charges	213,250	657,538	291,465	(366,073)
License & Permits	109,050	134,150	185,630	51,480
Fines & Forfeitures	473,380	413,750	334,477	(79,273)
Investment Income	-	10,300	8,831	(1,469)
Intergovernmental Revenues	-	144,172	265,577	121,405
Other Income	124,816	185,477	1,058,901	873,424
<b>TOTAL REVENUES</b>	<b>9,519,109</b>	<b>11,238,545</b>	<b>12,549,097</b>	<b>1,310,552</b>
<b>EXPENDITURES:</b>				
Current				
General Government				
Administration	453,772	456,599	426,276	30,323
Human Resources	140,342	139,930	140,579	(649)
Main Street Operations	39,085	38,940	42,025	(3,085)
Building Operations	118,032	117,791	104,506	13,285
Public Assistance Programs	41,575	41,575	41,575	-
Municipal Court	303,321	305,509	304,450	1,059
Civic Center Operations	178,964	178,631	166,793	11,838
Total General Government	<u>1,275,091</u>	<u>1,278,975</u>	<u>1,226,204</u>	<u>52,771</u>
Community Development				
Planning and Zoning	129,049	129,107	117,199	11,908
Inspections	212,029	209,403	195,964	13,439
Environmental Health	-	-	-	-
Total Community Development	<u>341,078</u>	<u>338,510</u>	<u>313,163</u>	<u>25,347</u>
Finance	<u>395,260</u>	<u>395,890</u>	<u>399,691</u>	<u>(3,801)</u>
Public Safety				
Police	4,191,256	4,164,541	4,136,209	28,332
Emergency Management	28,193	27,619	27,234	385
Fire	3,129,360	3,132,351	3,158,619	(26,268)
Total Public Safety	<u>7,348,809</u>	<u>7,324,511</u>	<u>7,322,062</u>	<u>2,449</u>
Public Works				
Administration	63,340	62,938	61,685	1,253
Street Maintenance	911,486	896,039	843,099	52,940
Central Garage	188,447	187,740	179,135	8,605
Parks and Recreation Operations	668,704	676,017	634,280	41,737
Cemetery Operations	247,472	257,562	239,946	17,616
Total Public Works	<u>2,079,449</u>	<u>2,080,296</u>	<u>1,958,145</u>	<u>122,151</u>

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, 2011**  
(Continued)

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
Non Departmental	-	204,422	202,193	2,229
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	88,698	689,426	1,384,657	(695,231)
<b>TOTAL EXPENDITURES</b>	<u>11,528,385</u>	<u>12,312,030</u>	<u>12,806,115</u>	<u>(494,085)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,009,276)</u>	<u>(1,073,485)</u>	<u>(257,018)</u>	<u>816,467</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of Debt	-	-	-	-
Funds Transferred In	2,594,353	2,763,303	2,576,745	(186,558)
Funds Transferred Out	(469,042)	(584,831)	(1,147,123)	(562,292)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>2,125,311</u>	<u>2,178,472</u>	<u>1,429,622</u>	<u>(748,850)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>116,035</u>	<u>1,104,987</u>	<u>1,172,604</u>	<u>67,617</u>
<b>FUND BALANCE - October 1</b>	5,052,115	5,052,115	5,052,115	-
<b>PRIOR PERIOD ADJUSTMENT</b>			455,443	
<b>FUND BALANCE- October 1, as restated</b>	<u>5,052,115</u>	<u>5,052,115</u>	<u>5,507,558</u>	
<b>FUND BALANCE - September 30</b>	<u>\$ 5,168,150</u>	<u>\$ 6,157,102</u>	<u>\$ 6,680,162</u>	<u>\$ 67,617</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, 2011**

	<b>WATER &amp; SEWER</b>	<b>MUNICIPAL AIRPORT</b>	<b>SOLID WASTE</b>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash	\$ 976,970	\$ 851	\$ 1,833,875
Receivables (Net of Allowances for Uncollectibles)			
Service	848,071	25,176	475,331
Other	121,198	52,942	-
Inventory	-	-	-
Interfund Receivables	-	-	340,000
<b>Total Current Assets</b>	<u>1,946,239</u>	<u>78,969</u>	<u>2,649,206</u>
<b>Noncurrent Assets:</b>			
<b>Restricted Assets:</b>			
Cash	64,694	32,956	34,209
Interfund Receivables	-	-	-
<b>Capital Assets:</b>			
Land	77,066	100,000	-
Buildings	527,933	800,161	916,951
Machinery & Equipment	2,283,072	238,025	4,852,578
Construction in Progress	-	1,573,892	-
Water & Sewer System	19,577,481	-	-
Golf Course Improvements	-	-	-
Stormwater Improvements	-	-	-
Airport Improvements	-	3,910,975	-
Less: Accumulated Depreciation	(16,239,884)	(2,564,451)	(3,991,243)
<b>Total Capital Assets</b>	<u>6,225,668</u>	<u>4,058,602</u>	<u>1,778,286</u>
<b>Issuance Costs (Net)</b>	<u>51,685</u>	<u>4,817</u>	<u>61,376</u>
<b>Total Noncurrent Assets</b>	<u>6,342,047</u>	<u>4,096,375</u>	<u>1,873,871</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,288,286</u>	<u>\$ 4,175,344</u>	<u>\$ 4,523,077</u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 381,131	\$ 10,596	\$ 160,995
Interfund Payables	-	181,000	-
Capital Leases Payable-Current Portion	13,585	-	-
Revenue Bonds Payable-Current Portion	508,148	41,636	391,658
<b>Total Current Liabilities</b>	<u>902,864</u>	<u>233,232</u>	<u>552,653</u>
<b>Noncurrent Liabilities:</b>			
Unearned Revenue	-	-	-
Accrued Compensated Absences	30,988	1,385	19,368
Postclosure Care Costs Payable	-	-	581,320
Capital Leases Payable	-	-	-
Revenue Bonds Payable	3,357,040	299,346	2,535,993
<b>Total Noncurrent Liabilities</b>	<u>3,388,028</u>	<u>300,731</u>	<u>3,136,681</u>
<b>TOTAL LIABILITIES</b>	<u>4,290,892</u>	<u>533,963</u>	<u>3,689,334</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	2,411,589	3,717,620	(1,095,788)
Restricted:			
Debt Service	-	-	-
Unrestricted	1,585,805	(76,239)	1,929,531
<b>TOTAL NET ASSETS</b>	<u>\$ 3,997,394</u>	<u>\$ 3,641,381</u>	<u>\$ 833,743</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>
\$ 511,906	\$ 904	\$ 3,324,506
103,136	-	1,451,714
-	941	175,081
-	-	-
-	-	340,000
<u>615,042</u>	<u>1,845</u>	<u>5,291,301</u>
-	-	131,859
-	-	-
332,233	-	509,299
-	61,708	2,306,753
228,006	138,775	7,740,456
1,083,240	-	2,657,132
-	-	19,577,481
-	440,499	440,499
363,698	-	363,698
-	-	3,910,975
<u>(342,301)</u>	<u>(489,623)</u>	<u>(23,627,502)</u>
<u>1,664,876</u>	<u>151,359</u>	<u>13,878,791</u>
<u>15,728</u>	<u>1,843</u>	<u>135,449</u>
<u>1,680,604</u>	<u>153,202</u>	<u>14,146,099</u>
<u>\$ 2,295,646</u>	<u>\$ 155,047</u>	<u>\$ 19,437,400</u>
\$ 25,411	\$ 29,575	\$ 607,708
-	159,000	340,000
-	-	13,585
123,440	6,111	1,070,993
<u>148,851</u>	<u>194,686</u>	<u>2,032,286</u>
-	-	-
3,791	3,101	58,633
-	-	581,320
-	-	-
<u>1,111,673</u>	<u>73,354</u>	<u>7,377,406</u>
<u>1,115,464</u>	<u>76,455</u>	<u>8,017,359</u>
<u>1,264,315</u>	<u>271,141</u>	<u>10,049,645</u>
429,763	71,894	5,535,078
-	-	-
<u>601,568</u>	<u>(187,988)</u>	<u>3,852,677</u>
<u>\$ 1,031,331</u>	<u>\$ (116,094)</u>	<u>\$ 9,387,755</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, 2011**

	<u>WATER &amp; SEWER</u>	<u>MUNICIPAL AIRPORT</u>	<u>SOLID WASTE</u>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 7,594,942	\$ 1,076,776	\$ 3,579,640
Other Income	96,768	432,888	11,718
<b>TOTAL OPERATING REVENUES</b>	<u>7,691,710</u>	<u>1,509,664</u>	<u>3,591,358</u>
<b>OPERATING EXPENSES</b>			
Salaries and Benefits	1,699,494	125,731	637,383
Supplies, Materials, Repair and Maintenance	997,130	894,309	356,861
Heat, Light and Power	533,121	28,716	15,172
Lease Payments	1,110,321	14,400	-
Other	465,876	36,263	868,644
Depreciation	888,596	222,280	263,869
<b>TOTAL EXPENSES</b>	<u>5,694,538</u>	<u>1,321,699</u>	<u>2,141,929</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,997,172</u>	<u>187,965</u>	<u>1,449,429</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Reevaluation of Postclosure Care Costs	-	-	(29,250)
Amortization of Issuance Costs	(28,274)	(2,099)	(18,719)
Gain on Disposal of Assets	-	10,000	-
Investment Income	997	8	2,845
Interest Expense	(167,328)	(15,627)	(126,461)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(194,605)</u>	<u>(7,718)</u>	<u>(171,585)</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>1,802,567</u>	<u>180,247</u>	<u>1,277,844</u>
<b>TRANSFERS</b>			
Transfers In	-	-	-
Transfers Out	(1,297,025)	-	(954,099)
<b>NET TRANSFERS</b>	<u>(1,297,025)</u>	<u>-</u>	<u>(954,099)</u>
<b>CHANGE IN NET ASSETS</b>	<u>505,542</u>	<u>180,247</u>	<u>323,745</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	3,009,013	3,461,134	509,998
<b>PRIOR PERIOD ADJUSTMENT</b>	482,839	-	-
<b>NET ASSETS AT BEGINNING OF YEAR, AS RESTATED</b>	<u>3,491,852</u>	<u>3,461,134</u>	<u>509,998</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 3,997,394</u>	<u>\$ 3,641,381</u>	<u>\$ 833,743</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>		
\$ 949,121	\$ 259,613		\$ 13,460,092
674	10,582		552,630
<u>949,795</u>	<u>270,195</u>		<u>14,012,722</u>
79,902	367,283		2,909,793
19,558	79,690		2,347,548
-	28,012		605,021
-	-		1,124,721
19,772	47,007		1,437,562
29,993	32,643		1,437,381
<u>149,225</u>	<u>554,635</u>		<u>9,862,026</u>
800,570	(284,440)		4,150,696
-	-		(29,250)
(5,316)	(694)		(55,102)
-	-		10,000
612	-		4,462
<u>(39,726)</u>	<u>(3,632)</u>		<u>(352,774)</u>
<u>(44,430)</u>	<u>(4,326)</u>		<u>(422,664)</u>
756,140	(288,766)		3,728,032
-	610,959		610,959
(468,779)	-		(2,719,903)
<u>(468,779)</u>	<u>610,959</u>		<u>(2,108,944)</u>
287,361	322,193		1,619,088
882,405	(438,287)		7,424,263
(138,435)	-		344,404
<u>743,970</u>	<u>(438,287)</u>		<u>7,768,667</u>
<u>\$ 1,031,331</u>	<u>\$ (116,094)</u>		<u>\$ 9,387,755</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, 2011**

	<b>WATER AND SEWER FUND</b>	<b>MUNICIPAL AIRPORT</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 7,483,230	\$ 1,155,955
Payments to Suppliers for Goods and Services	(2,968,632)	(972,145)
Payments to Employees	(1,699,494)	(126,302)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>2,815,104</u>	<u>57,508</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfers In	-	-
Transfers Out	(1,297,025)	-
Payments Made on Loans from Other Funds	-	-
Receipts From Loans from Other Funds	-	67,000
Loans to Other Funds	-	-
Payments Received on Loans to Other Funds	-	-
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>(1,297,025)</u>	<u>67,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Capital Assets	(287,218)	(40,729)
Proceeds from Sale of Assets	-	10,000
Payment of Bond Issuance Costs	-	-
Transfer of Unspent Bond Proceeds to Capital Projects Fund	(1,552,578)	-
Payment of Postclosure Care Costs	-	-
Principal Paid on Bonds and Certificates of Obligation	(588,798)	(45,098)
Interest and Paying Agent Fees Paid on Bonds, Notes, and Certificates of Obligation	(172,261)	(15,876)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(2,600,855)</u>	<u>(91,703)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments	997	8
Proceeds from Maturities of Investments	-	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>997</u>	<u>8</u>
<b>INCREASE (DECREASE) IN CASH DURING YEAR</b>	<u>(1,081,779)</u>	<u>32,813</u>
<b>CASH - October 1</b>	<u>2,123,443</u>	<u>994</u>
<b>CASH - September 30</b>	<u>\$ 1,041,664</u>	<u>\$ 33,807</u>
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 1,997,172	\$ 187,965
Adjustments:		
Depreciation Expense	888,596	222,280
Non-Cash Grant Proceeds	-	(366,561)
Change in Assets and Liabilities:		
Receivables, Net	(242,102)	12,852
Inventories	152,334	-
Accounts Payable	19,104	972
Unearned Revenue	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 2,815,104</u>	<u>\$ 57,508</u>
 <b>NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>		
Grants paid directly to vendor	\$ -	366,561
Airport improvements paid directly by grant	-	(366,561)

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

<b>SOLID WASTE FUND</b>	<b>STORMWATER</b>	<b>OTHER ENTERPRISE FUND GOLF</b>	<b>TOTALS</b>
\$ 3,485,353	\$ 941,211	\$ 269,912	\$ 13,335,661
(1,315,229)	(31,524)	(147,016)	(5,434,546)
(636,619)	(85,917)	(370,191)	(2,918,523)
<u>1,533,505</u>	<u>823,770</u>	<u>(247,295)</u>	<u>4,982,592</u>
-	-	610,959	610,959
(954,099)	(468,779)	-	(2,719,903)
-	-	(352,000)	(352,000)
-	-	-	67,000
-	-	-	-
285,000	-	-	285,000
<u>(669,099)</u>	<u>(468,779)</u>	<u>258,959</u>	<u>(2,108,944)</u>
-	(483)	-	(328,430)
-	-	-	10,000
-	-	-	-
-	(1,621,931)	-	(3,174,509)
(29,250)	-	-	(29,250)
(412,399)	(131,149)	(7,487)	(1,184,931)
<u>(128,128)</u>	<u>(57,808)</u>	<u>(3,672)</u>	<u>(377,745)</u>
<u>(569,777)</u>	<u>(1,811,371)</u>	<u>(11,159)</u>	<u>(5,084,865)</u>
2,845	612	-	4,462
-	-	-	-
<u>2,845</u>	<u>612</u>	<u>-</u>	<u>4,462</u>
297,474	(1,455,768)	505	(2,206,755)
1,570,610	1,967,674	399	5,663,120
<u>\$ 1,868,084</u>	<u>\$ 511,906</u>	<u>\$ 904</u>	<u>\$ 3,456,365</u>

\$ 1,449,429	\$ 800,570	\$ (284,440)	\$ 4,150,696
263,869	29,993	32,643	1,437,381
-	-	-	(366,561)
(106,006)	(8,584)	(283)	(344,123)
-	-	-	152,334
(73,787)	1,791	4,785	(47,135)
-	-	-	-
<u>\$ 1,533,505</u>	<u>\$ 823,770</u>	<u>\$ (247,295)</u>	<u>\$ 4,982,592</u>

\$ -	\$ -	\$ -	\$ 366,561
-	-	-	(366,561)

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

**CITY OF GAINESVILLE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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**CITY OF GAINESVILLE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**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**  
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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.

**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.

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

**CITY OF GAINESVILLE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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GEDC for which it is reimbursed by the GEDC. The GEDC Board of Directors consists of seven members, appointed by the City Council, at least five of which may not be City officers, employees, or council members. A separate audit report is issued for the GEDC, a copy of which may be obtained by writing to 200 S. Rusk, Gainesville, TX, 76240.

**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, 2010 to September 30, 2011. 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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**SEPTEMBER 30, 2011**

The City reports the following major governmental funds at September 30, 2011:

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.

2008 General Obligation Bonds - This fund accounts for the receipt and expenditure of the 2008 General Obligation Bonds.

The City reports the following major proprietary funds at September 30, 2011:

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

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payments are recognized as revenue when both measurable and available. Additional amounts estimated to be collectible in time to be a resource payment of obligations incurred during the fiscal year and, therefore, susceptible to accrual in accordance with General Accepted Accounting Principles have been recognized as revenue.

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

**2. Proprietary Funds**

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

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**SEPTEMBER 30, 2011**

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.

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

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

**2. Receivables and Payables**

Accounts Receivable – Utility customers are billed monthly on a regular cycle basis as meters are read, or services are performed, with revenue recorded when customers are billed. The estimated unbilled revenue at September 30, 2011, 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
--------------------------------------	-------------

**CITY OF GAINESVILLE, TEXAS**  
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Machinery, vehicles, and other equipment	3-15 years
Furniture and fixtures	3-10 years
Infrastructure	25 years

**5. Encumbrances**

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

**8. Fund Balance Classification**

**CITY OF GAINESVILLE, TEXAS**  
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As of these financial statements, the City has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

**Nonspendable**-Amounts that cannot be spent either because they are not in a spendable form or because they are legal or contractually required to be maintained intact.

**Restricted**-Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

**Committed**-Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolutions. This includes the budget reserve account.

**Assigned**-Amounts that are designated by management for specific purposes determined by a formal action of the Council.

**Unassigned**-All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page xx). As discussed in Note III.H, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the Council or the Assignment has been changed. Decreases to fund balance first reduce Unassigned Fund balance, in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed fund Balances are used in that order.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budget Policies**

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

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

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

**CITY OF GAINESVILLE, TEXAS**  
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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, 2011, expenditures exceeded appropriations in the following funds:

	Excess Amount
<b>General Fund:</b>	
Human Resources	649
Main Street Operations	3,085
Finance	3,801
Fire	26,268
Capital Outlay	695,231
<b>Debt Service:</b>	
General Government	10,108
Interest and Fiscal Charges	9,250
<b>Nonmajor Governmental Funds:</b>	
Law Officer Education Fund	3,120
Municipal Court Technology	9,037
Municipal Court Security	1,206
Hotel/Motel	7,634
City Athletic Fields	8,518
Frank Buck Zoo	560

**C. Deficit Fund Equity**

At September 30, 2011, the following funds had a deficit fund balance (or net assets):

<b>Proprietary Funds:</b>	
Golf Course Fund	\$ 116,094

**CITY OF GAINESVILLE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

At September 30, 2011, cash and cash equivalents consisted of the following:

Cash on Hand	\$ 4,175
Cash Equivalents - Investments	18,486,880
Cash in Banks	908,878
Total Cash and Cash Equivalents	\$19,399,933

	Governmental Activities	Business Activities	Component Unit	Total
Cash and Cash Equivalents	\$ 14,212,398	\$ 3,324,506	\$ 1,731,170	\$19,268,074
Restricted Cash and Cash Equivalent	-	131,859	-	131,859
Totals	\$ 14,212,398	\$ 3,456,365	\$ 1,731,170	\$19,399,933

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, 2011, the City had \$4,175 of cash on hand. The carrying amount of the City's cash in bank totaled \$908,876 and bank balance was \$1,214,576. The City's deposits at September 30, 2011, were fully covered by Federal Depository Insurance amounting to \$250,000 and with securities held by the pledging financial institution in the depositor-government's name amounting to \$2,381,803. The carrying amount of the Gainesville Economic Development Corporation's cash as of September 30, 2011, as reflected in the statement of net assets was \$158,860 and the bank balance was \$183,992. 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 the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

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

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

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

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

Both public fund investment pool agencies operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940 and is rated AAAM by Standard and Poors. All investments are stated at amortized cost, and accordingly, the fair value of the position of the pool funds are the same as the value of shares. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poors, as well as the Office of the Comptroller of Public Accounts for review. Deposits held in these public funds investment pools are not subject to custodial credit risk. The City had \$9,652,270 on deposit with TexPool and \$6,610,056 on deposit with TexStar at September 30, 2011. The GEDC had \$593,215 on deposit with TexStar at September 30, 2011.

**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, 2011, 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.

Investment Type	Total	AAA	Unrated
TexSTAR	\$ 6,610,056	\$ 6,610,056	\$ -
TexPool	9,652,270	9,652,270	-
Money Market Funds & Certificates of Deposit	2,204,554	2,204,554	-
U.S. Government Backed Bonds	20,000	20,000	-
	<b>\$ 18,486,880</b>	<b>\$ 18,486,880</b>	<b>\$ -</b>

**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.

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**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, 2011, the rates were \$.432356 and \$.214644, respectively, per \$100 of assessed value. At September 30, 2011, 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, 2011, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds				Nonmajor Funds	Total
	General Fund	Debt Service	2010 Cert of Oblig	2008 General Oblig Bonds		
Property Taxes	\$ 158,614	\$ 79,934	-	-	\$ -	\$ 238,548
Sales Tax	1,349,331	-	-	-	-	1,349,331
Other Local Fees	-	-	-	-	65,432	65,432
Service Receivables	-	-	-	-	-	-
Franchise Tax	396,306	-	-	-	-	396,306
Court Warrants	988,915	-	-	-	-	988,915
Grants	106,331	-	-	-	-	106,331
Other	79,089	7,166	-	-	2,446	88,701
	<u>3,078,586</u>	<u>87,100</u>	<u>-</u>	<u>-</u>	<u>67,878</u>	<u>3,233,564</u>
Allowance for Uncollectibles	(580,399)	(16,688)	-	-	-	(597,087)
Net Receivables	<u>\$ 2,498,187</u>	<u>\$ 70,412</u>	<u>-</u>	<u>-</u>	<u>\$ 67,878</u>	<u>\$ 2,636,477</u>

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	Proprietary Funds					Total
	Water and Sewer	Municipal Airport	Solid Waste	Stormwater Utility	Nonmajor- Golf Fund	
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Service Receivables	860,639	25,176	481,079	104,611	-	1,471,505
Court Warrants	-	-	-	-	-	-
Grant	-	6,165	-	-	-	6,165
Other	121,198	46,777	-	-	941	168,916
	<u>981,837</u>	<u>78,118</u>	<u>481,079</u>	<u>104,611</u>	<u>941</u>	<u>1,646,586</u>
Allowance for Uncollectibles	<u>(12,568)</u>	<u>-</u>	<u>(5,748)</u>	<u>(1,475)</u>	<u>-</u>	<u>(19,791)</u>
Net Receivables	<u>\$ 969,269</u>	<u>\$ 78,118</u>	<u>\$ 475,331</u>	<u>\$ 103,136</u>	<u>\$ 941</u>	<u>\$ 1,626,795</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, 2011 are as follows:

Receivable Fund	Payable Fund	Amount
Enterprise Funds:		
Solid Waste Utility Fund	Municipal Airport	181,000
	Nonmajor Proprietary Fund	159,000
		<u>\$ 340,000</u>

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

**2. Interfund Transfers**

The following is a summary of interfund operating transfers:

Transfers In	Transfers Out	Amount
Governmental Funds:		
General Fund	Nonmajor Governmental Funds	\$ 256,942
	Water & Sewer Utility	1,176,136
	Stormwater Utility	189,569
	Solid Waste Utility	954,099
Debt Service Fund	Water & Sewer Utility	120,890
	Stormwater Utility	279,210
Nonmajor Governmental Funds	General Fund	648,318
	Debt Service Fund	99,999
	Nonmajor Governmental Funds	98,484

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Enterprise Funds:			
Nonmajor Proprietary Fund	Debt Service Fund		109,654
	Nonmajor Governmental Funds		2,500
	General Fund		498,805
			<u>498,805</u>
			<u>\$ 4,434,606</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, 2011 was as follows:

	Balance 10/1/2010	Additions/ Completions	Transfer (to) From Proprietary	Balance 9/30/2011
<b>Governmental Activities:</b>				
<u>Non-Depreciable Capital Assets:</u>				
Construction				
in Progress	\$ 540,450	\$ 3,095,883	\$ 1,562,562	\$ 5,198,895
Land & Land Rights	920,036	-	-	920,036
	<u>1,460,486</u>	<u>3,095,883</u>	<u>1,562,562</u>	<u>6,118,931</u>
<u>Depreciable Capital Assets:</u>				
Machinery & Equip.	5,478,434	487,979	-	5,966,413
Furniture & Fixtures	196,026	-	-	196,026
Office Mach. & Equip.	1,965,674	5,850	-	1,971,524
Buildings	9,398,952	55,372	-	9,454,324
Improvements	77,232,017	888,004	-	78,120,021
	<u>94,271,103</u>	<u>1,437,205</u>	<u>-</u>	<u>95,708,308</u>
Less Accumulated Depreciation:				
Machinery & Equip.	(3,988,581)	(337,542)	-	(4,326,123)
Furniture & Fixtures	(165,943)	(3,329)	-	(169,272)
Office Mach. & Equip.	(1,649,194)	(100,982)	-	(1,750,176)
Buildings	(5,398,862)	(273,767)	-	(5,672,629)
Improvements	(71,681,179)	(494,424)	21,121	(72,154,482)
	<u>(82,883,759)</u>	<u>(1,210,044)</u>	<u>21,121</u>	<u>(84,072,682)</u>
Net Depreciable Capital Assets	<u>11,387,344</u>	<u>227,161</u>	<u>21,121</u>	<u>11,635,626</u>
Net Capital Assets	<u>\$ 12,847,830</u>	<u>\$ 3,323,044</u>	<u>\$ 1,583,683</u>	<u>\$ 17,754,557</u>

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	Balance 10/1/2010	Additions/ Completions	Disposals	Balance 9/30/2011
<b>Discretely Presented Component Unit:</b>				
<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.	(7,623)	(4,300)	-	(11,923)
Buildings	(463,397)	(65,837)	-	(529,234)
	<u>(471,020)</u>	<u>(70,137)</u>	<u>-</u>	<u>(541,157)</u>
Net Depreciable Capital Assets	<u>\$ 1,941,095</u>	<u>\$ (70,137)</u>	<u>\$ -</u>	<u>\$ 1,870,958</u>
	Balance 10/1/2010	Additions/ Completions	Transfers/ Disposals	Balance 9/30/2011
<b>Proprietary Funds (in Aggregate):</b>				
<u>Non-Depreciable Capital Assets:</u>				
Construction				
in Progress	\$ 1,166,602	\$ 407,290	\$ 1,083,240	\$ 2,657,132
Land & Land Rights	873,333	500	(364,534)	509,299
	<u>2,039,935</u>	<u>407,790</u>	<u>718,706</u>	<u>3,166,431</u>
<u>Depreciable Capital Assets:</u>				
Machinery & Equip.	7,490,624	27,452	-	7,518,076
Furniture & Fixtures	1,080	-	-	1,080
Office Mach. & Equip.	208,900	12,400	-	221,300
Buildings	2,306,753	-	-	2,306,753
Improvements	14,151,549	8,564	(2,822,915)	11,337,198
Plant In Svc-Water	10,805,883	154,523	1	10,960,407
Plant In Svc-Sewer	1,396,386	57,011	541,651	1,995,048
	<u>36,361,175</u>	<u>259,950</u>	<u>(2,281,263)</u>	<u>34,339,862</u>
Less Accumulated Depreciation:				
Machinery & Equip.	(4,981,338)	(422,480)	-	(5,403,818)
Furniture & Fixtures	(1,080)	-	-	(1,080)
Office Mach. & Equip.	(116,242)	(38,757)	-	(154,999)
Buildings	(1,408,579)	(118,749)	-	(1,527,328)
Improvements	(7,335,720)	(434,638)	-	(7,770,358)
Plant In Svc-Water	(7,276,507)	(317,436)	-	(7,593,943)
Plant In Svc-Sewer	(1,135,816)	(40,160)	-	(1,175,976)
	<u>(22,255,282)</u>	<u>(1,372,220)</u>	<u>-</u>	<u>(23,627,502)</u>
Net Depreciable Capital Assets	<u>14,105,893</u>	<u>(1,112,270)</u>	<u>(2,281,263)</u>	<u>10,712,360</u>
Net Capital Assets	<u>\$ 16,145,828</u>	<u>\$ (704,480)</u>	<u>\$ (1,562,557)</u>	<u>\$ 13,878,791</u>

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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	\$ -	\$ 1,573,892	\$ -	\$ 1,083,240	\$ -	\$ 2,657,132
Land & Land Rights	77,066	100,000	-	332,233	-	509,299
	<u>77,066</u>	<u>1,673,892</u>	<u>-</u>	<u>1,415,473</u>	<u>-</u>	<u>3,166,431</u>
<u>Depreciable Capital Assets:</u>						
Machinery & Equip.	2,096,542	238,025	4,816,728	228,006	138,775	7,518,076
Furniture & Fixtures	1,080	-	-	-	-	1,080
Office Mach. & Equip.	185,450	-	35,850	-	-	221,300
Buildings	527,933	800,161	916,951	-	61,708	2,306,753
Improvements	6,622,026	3,910,975	-	363,698	440,499	11,337,198
Plant In Service-Water	10,960,407	-	-	-	-	10,960,407
Plant In Service-Sewer	1,995,048	-	-	-	-	1,995,048
	<u>22,388,486</u>	<u>4,949,161</u>	<u>5,769,529</u>	<u>591,704</u>	<u>640,982</u>	<u>34,339,862</u>
<u>Less Accumulated Depreciation:</u>						
Machinery & Equip.	(1,480,654)	(183,035)	(3,387,600)	(235,341)	(117,188)	(5,403,818)
Furniture & Fixtures	(1,080)	-	-	-	-	(1,080)
Office Mach. & Equip.	(131,079)	-	(23,920)	-	-	(154,999)
Buildings	(472,939)	(415,668)	(577,013)	-	(61,708)	(1,527,328)
Improvements	(5,384,213)	(1,965,748)	(2,710)	(106,960)	(310,727)	(7,770,358)
Plant In Service-Water	(7,593,943)	-	-	-	-	(7,593,943)
Plant In Service-Sewer	(1,175,976)	-	-	-	-	(1,175,976)
	<u>(16,239,884)</u>	<u>(2,564,451)</u>	<u>(3,991,243)</u>	<u>(342,301)</u>	<u>(489,623)</u>	<u>(23,627,502)</u>
Net Depreciable Capital Assets	6,148,602	2,384,710	1,778,286	249,403	151,359	10,712,360
Net Capital Assets	\$ 6,225,668	\$ 4,058,602	\$ 1,778,286	\$ 1,664,876	\$ 151,359	\$ 13,878,791

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

Governmental Activities:	
General Government	\$ 297,997
Finance	3,329
Community Development	39,469
Public Safety	377,225
Public Works	492,024
	<u>\$ 1,210,044</u>
Discretely Presented Component Unit:	
Gainesville Economic Development Corp	<u>\$ 70,137</u>
Proprietary Funds:	
Water & Sewer	\$ 888,596
Airport	222,280
Solid Waste	263,869
Stormwater	29,993
Golf Course	32,643
	<u>\$ 1,437,381</u>

**E. Accounts Payable**

Accounts payable as of September 30, 2011, 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	2008 General Obligation Bds	Nonmajor Funds	
Vendor Payables	\$ 825,246	\$ 300	\$ 461,705	\$ 100,871	\$ 110,073	\$ 1,498,195
Court Costs Payable	46,753	-	-	-	-	46,753
Due to Departments	59,640	-	-	-	-	59,640
Accrued Payroll Payable	155,211	-	-	-	-	155,211
	<u>\$ 1,086,850</u>	<u>\$ 300</u>	<u>\$ 461,705</u>	<u>\$ 100,871</u>	<u>\$ 110,073</u>	<u>\$ 1,759,799</u>
	Proprietary Funds					
	Water and Sewer	Municipal Airport	Solid Waste	Stormwater Utility	Nonmajor-Golf Fund	Total
Vendor Payables	\$ 140,293	\$ 5,107	\$ 23,942	\$ 13,402	\$ 20,689	\$ 203,433
Accrued Comp. Absences	30,987	1,385	19,368	3,791	3,101	58,632
Postclosure Care Costs	-	-	10,708	-	-	10,708
Accrued Payroll Payable	28,411	2,222	10,663	1,324	5,048	47,668
Deposits Payable	160,696	-	11,006	-	-	171,702
Interest Payable	20,744	1,882	14,965	6,894	444	44,929
Sales Tax Payable	-	-	70,343	-	293	70,636
Totals	<u>\$ 381,131</u>	<u>\$ 10,596</u>	<u>\$ 160,995</u>	<u>\$ 25,411</u>	<u>\$ 29,575</u>	<u>\$ 607,708</u>

**CITY OF GAINESVILLE, TEXAS**  
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**F. Long-Term Debt**

**1. Governmental Activities Long-Term Debt**

As of September 30, 2011, the City had the following governmental activities long-term debt outstanding:

	Interest Rate	Year of Issue	Year of Maturity	Original Amount	Amount Outstanding	Due Within One Year
General Obligation Bonds:						
Series 2002	4.2-5.0%	2002	2022	\$ 3,993,862	\$ 1,297,412	\$ 193,088
Series 2005	3.80%	2005	2020	534,906	345,834	47,794
Series 2007	4.0-4.125%	2007	2026	6,639,539	5,744,731	236,176
Series 2008	4.00%	2008	2030	5,425,000	4,880,000	205,000
Total General Obligation Bonds					<u>12,267,977</u>	<u>682,058</u>
Certificates of Obligation Bonds:						
Series 2001	4.65-5.65%	2001	2026	1,140,000	78,621	39,310
Series 2002	4.15-5.1%	2002	2022	1,110,000	155,000	50,000
Series 2003	2.5-4.625%	2003	2024	2,050,000	1,505,000	90,000
Series 2008	4.00%	2008	2018	962,020	721,000	90,640
Series 2010	1.25-4.4%	2010	2029	2,036,000	4,880,000	200,000
Total Certificates of Obligation Bonds					<u>7,339,621</u>	<u>469,950</u>
Capital Leases						
First Security	5.50%	2007	2012	30,602	6,793	6,793
Total Long-Term Debt - Governmental Activities					<u>\$ 19,614,391</u>	<u>\$ 1,158,801</u>

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

	Balance 10/1/2010	New Debt or Increases	Transfers	Payments or Decreases	Balance 9/30/2011
<b>General Obligation Bonds:</b>					
Series 2002	\$ 1,480,338	\$ -	\$ -	\$ (182,926)	\$ 1,297,412
Series 2005	396,321	-	-	(50,487)	345,834
2005 Deferred Refunding Credit	(13,258)	-	-	1,410	(11,848)
Series 2007	6,090,679	-	-	(345,948)	5,744,731
2007 Deferred Refunding Credit	(542,109)	-	-	35,204	(506,905)
2007 Reoffering Premium	14,941	-	-	(970)	13,971
Series 2008	-	-	5,075,000	(195,000)	4,880,000
2008 Reoffering Premium	-	-	24,996	(1,437)	23,559
<b>Total GO Bonds</b>	<b>7,426,912</b>	<b>-</b>	<b>5,099,996</b>	<b>(740,154)</b>	<b>11,786,754</b>
<b>Certificates of Obligation Bonds:</b>					
Series 2000	-	-	-	-	-
Series 2001	115,310	-	-	(36,689)	78,621
Series 2002	205,000	-	-	(50,000)	155,000
Series 2003	1,590,000	-	-	(85,000)	1,505,000
Series 2008	807,520	-	-	(86,520)	721,000
2008 Reoffering Premium	13,306	-	-	(2,079)	11,227
Series 2010	2,036,000	-	2,844,000	-	4,880,000
2010 Discount	(13,234)	-	(18,486)	1,724	(29,996)
<b>Total CO Bonds</b>	<b>4,753,902</b>	<b>-</b>	<b>2,825,514</b>	<b>(258,564)</b>	<b>7,320,852</b>
<b>Notes Payable</b>					
First State Bank	-	-	-	-	-
<b>Capital Leases</b>					
First Security	13,231	-	-	(6,438)	6,793
<b>Total Long Term Debt - Governmental Activities</b>	<b>\$ 12,194,045</b>	<b>\$ -</b>	<b>\$ 7,925,510</b>	<b>\$ (1,005,156)</b>	<b>\$ 19,114,399</b>

**CITY OF GAINESVILLE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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

Fiscal Year Sep. 30,	General Obligation Bonds			Certificates of Obligation			Capital Leases			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2012	682,058	483,070	1,165,128	469,950	254,609	724,560	6,793	373	7,166	1,158,801	738,052	1,896,853
2013	704,520	454,937	1,159,457	474,070	239,401	713,473	-	-	-	1,178,590	694,338	1,872,928
2014	831,648	423,575	1,255,223	453,880	224,517	678,400	-	-	-	1,285,528	648,092	1,933,620
2015	918,928	387,672	1,306,600	413,000	211,192	624,196	-	-	-	1,331,928	598,864	1,930,792
2016	940,016	349,332	1,289,348	427,120	198,561	625,686	-	-	-	1,367,136	547,893	1,915,029
2017	984,450	309,380	1,293,830	441,240	184,227	625,473	-	-	-	1,425,690	493,607	1,919,297
2018	1,014,431	268,634	1,283,065	455,360	168,238	623,605	-	-	-	1,469,791	436,872	1,906,663
2019	854,082	231,331	1,085,413	355,000	153,888	508,896	-	-	-	1,209,082	385,219	1,594,301
2020	884,798	196,604	1,081,402	365,000	141,250	506,259	-	-	-	1,249,798	337,854	1,587,652
2021	797,290	162,989	960,279	380,000	128,163	508,173	-	-	-	1,177,290	291,152	1,468,442
2022	827,248	130,498	957,746	390,000	114,625	504,636	-	-	-	1,217,248	245,123	1,462,371
2023	484,648	104,175	588,823	405,000	100,550	505,562	-	-	-	889,648	204,725	1,094,373
2024	502,974	84,251	587,225	425,000	84,369	509,382	-	-	-	927,974	168,620	1,096,594
2025	527,953	63,432	591,385	285,000	69,700	354,714	-	-	-	812,953	133,132	946,085
2026	552,933	41,579	594,512	295,000	58,100	353,115	-	-	-	847,933	99,679	947,612
2027	370,000	23,000	393,000	305,000	46,100	351,116	-	-	-	675,000	69,100	744,100
2028	390,000	7,800	397,800	320,000	33,600	353,617	-	-	-	710,000	41,400	751,400
2029	-	-	-	335,000	20,500	355,518	-	-	-	335,000	20,500	355,500
2030	-	-	-	345,000	6,900	351,900	-	-	-	345,000	6,900	351,900
	<u>\$12,267,977</u>	<u>\$ 3,722,259</u>	<u>\$15,990,236</u>	<u>\$7,339,621</u>	<u>\$ 2,438,490</u>	<u>\$9,778,282</u>	<u>\$ 6,793</u>	<u>\$ 373</u>	<u>\$ 7,166</u>	<u>\$19,614,391</u>	<u>\$ 6,161,122</u>	<u>\$25,775,513</u>

**CITY OF GAINESVILLE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**2. Business-Type Activities Long-Term Debt**

As of September 30, 2011, 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	\$ 82,068	\$ 41,034
Series 2008	4.00%	2008	2018	464,665	348,250	43,780
General Obligation Bonds:						
Series 2005	3.80%	2005	2020	4,353,584	2,814,729	388,994
Series 2007	4.0-4.125%	2007	2026	965,362	835,261	34,339
Capital Lease						
Old National Bank	5.25%	2006	2011	159,254	-	-
First Security	5.50%	2007	2012	61,205	13,586	13,586
					<u>4,093,894</u>	<u>521,733</u>
<u>Municipal Airport</u>						
Certificates of Obligation Bonds:						
Series 1995	4.1-6.35%	1995	2015	115,000	35,000	5,000
Series 2001	4.65-5.65%	2001	2026	220,000	15,172	7,586
General Obligation Bonds:						
Series 2005	3.80%	2005	2020	261,244	168,903	23,342
Series 2007	4.0-4.125%	2007	2026	160,450	138,826	5,707
					<u>357,901</u>	<u>41,635</u>
<u>Solid Waste Utility</u>						
Certificates of Obligation Bonds:						
Series 2001	4.65-5.65%	2001	2026	1,630,000	112,414	56,207
Series 2008	4.00%	2008	2018	908,315	680,750	85,580
General Obligation Bonds:						
Series 2005	3.80%	2005	2020	1,194,790	772,469	106,755
Series 2007	4.0-4.125%	2007	2026	1,352,678	1,170,379	48,116
Tax Notes						
Series 2009	3.20%	2009	2014	395,000	300,000	95,000
					<u>3,036,012</u>	<u>391,658</u>
<u>Stormwater Utility</u>						
General Obligation Bonds:						
Series 2002	4.2-5.0%	2002	2022	1,901,138	617,588	91,913
Series 2007	4.0-4.125%	2007	2026	774,843	670,417	27,562
Certificates of Obligation Bonds:						
Series 2001	4.65-5.65%	2001	2026	115,000	7,931	3,966
					<u>1,295,936</u>	<u>123,441</u>
<u>Municipal Golf Course</u>						
Certificates of Obligation Bonds:						
Series 2001	4.65-5.65%	2001	2026	55,000	3,794	1,897
General Obligation Bonds:						
Series 2005	3.80%	2005	2020	12,476	8,066	1,115
Series 2007	4.0-4.125%	2007	2026	87,127	75,385	3,099
					<u>87,245</u>	<u>6,111</u>
Total Long-Term Debt - Proprietary Funds Activities					<u>\$ 8,870,988</u>	<u>\$ 1,084,578</u>

**CITY OF GAINESVILLE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

	Balance 10/1/2010	New Debt or Increases	Transfers	Payments or Decreases	Balance 9/30/2011
<b>Water and Sewer Utility</b>					
<b>Certificates of Obligation Bonds:</b>					
Series 2000	\$ -	\$ -	\$ -	\$ -	\$ -
Series 2001	120,368	-	-	(38,300)	82,068
Series 2008	390,040	-	-	(41,790)	348,250
2008 Reoffering Premium	6,427	-	-	(1,005)	5,422
Series 2010	2,630,000	-	(2,630,000)	-	-
2010 Discount	(17,095)	-	17,095	-	-
<b>General Obligation Bonds:</b>					
Series 2005	3,225,638	-	-	(410,909)	2,814,729
2005 Deferred Refunding Credit	(189,020)	-	-	20,108	(168,912)
Series 2007	885,560	-	-	(50,299)	835,261
2007 Deferred Refunding Credit	(57,390)	-	-	3,727	(53,663)
2007 Reoffering Premium	2,172	-	-	(141)	2,031
Series 2008	1,505,245	-	(1,505,245)	-	-
2008 Reoffering Premium	7,414	-	(7,414)	-	-
<b>Capital Lease</b>					
Old National Bank	34,624	-	-	(34,624)	-
First Security	26,462	-	-	(12,876)	13,586
	<u>8,570,445</u>	<u>-</u>	<u>(4,125,564)</u>	<u>(566,109)</u>	<u>3,878,772</u>
<b>Municipal Airport</b>					
<b>Certificates of Obligation Bonds:</b>					
Series 1995	40,000	-	-	(5,000)	35,000
Series 2001	22,253	-	-	(7,081)	15,172
<b>General Obligation Bonds:</b>					
Series 2005	193,560	-	-	(24,657)	168,903
2005 Deferred Refunding Credit	(11,561)	-	-	1,230	(10,331)
Series 2007	147,186	-	-	(8,360)	138,826
2007 Deferred Refunding Credit	(7,406)	-	-	481	(6,925)
2007 Reoffering Premium	361	-	-	(23)	338
	<u>384,393</u>	<u>-</u>	<u>-</u>	<u>(43,410)</u>	<u>340,983</u>
<b>Solid Waste Utility</b>					
<b>Certificates of Obligation Bonds:</b>					
Series 2000	-	-	-	-	-
Series 2001	164,874	-	-	(52,460)	112,414
Series 2008	762,440	-	-	(81,690)	680,750
2008 Reoffering Premium	12,563	-	-	(1,963)	10,600
<b>General Obligation Bonds:</b>					
Series 2005	885,238	-	-	(112,769)	772,469
2005 Deferred Refunding Credit	(52,578)	-	-	5,593	(46,985)
Series 2007	1,240,859	-	-	(70,480)	1,170,379
2007 Deferred Refunding Credit	(80,019)	-	-	5,196	(74,823)
2007 Reoffering Premium	3,044	-	-	(198)	2,846
<b>Tax Note</b>					
Series 2009	395,000	-	-	(95,000)	300,000
	<u>3,331,421</u>	<u>-</u>	<u>-</u>	<u>(403,771)</u>	<u>2,927,650</u>

**CITY OF GAINESVILLE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

Stormwater Utility

Certificates of Obligation Bonds:

Series 2001	11,632	-	-	(3,701)	7,931
Series 2010	214,000	-	(214,000)	-	-
2010 Discount	(1,391)	-	1,391	-	-

General Obligation Bonds:

Series 2002	704,663	-	-	(87,075)	617,588
Series 2007	710,790	-	-	(40,373)	670,417
2007 Deferred Refunding Credit	(66,790)	-	-	4,337	(62,453)
2007 Reoffering Premium	1,744	-	-	(113)	1,631
Series 2008	3,569,755	-	(3,569,755)	-	-
2008 Reoffering Premium	17,582	-	(17,582)	-	-
	<u>5,161,985</u>	<u>-</u>	<u>(3,799,946)</u>	<u>(126,925)</u>	<u>1,235,114</u>

Municipal Golf Course

Certificates of Obligation Bonds:

Series 2000	-	-	-	-	-
Series 2001	5,563	-	-	(1,769)	3,794

General Obligation Bonds:

Series 2005	9,244	-	-	(1,178)	8,066
2005 Deferred Refunding Credit	(505)	-	-	54	(451)
Series 2007	79,925	-	-	(4,540)	75,385
2007 Deferred Refunding Credit	(8,034)	-	-	522	(7,512)
2007 Reoffering Premium	196	-	-	(13)	183
	<u>86,389</u>	<u>-</u>	<u>-</u>	<u>(6,924)</u>	<u>79,465</u>

Totals	<u>\$ 17,534,633</u>	<u>\$ -</u>	<u>\$ (7,925,510)</u>	<u>\$ (1,147,139)</u>	<u>\$ 8,461,984</u>
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**City of Gainesville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2011**

**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
2012	84,814	15,937	100,751	423,333	132,411	555,744	13,586	747	14,333	521,733	149,095	670,828
2013	86,804	12,227	99,031	389,857	116,890	506,747	-	-	-	476,661	129,177	605,778
2014	47,760	9,393	57,153	370,488	102,355	472,843	-	-	-	418,248	111,748	529,996
2015	49,750	7,443	57,193	384,955	87,886	472,841	-	-	-	434,705	95,329	530,034
2016	51,740	5,413	57,153	392,488	72,990	465,478	-	-	-	444,228	78,403	522,631
2017	53,730	3,303	57,033	402,922	57,751	460,673	-	-	-	456,652	61,054	517,706
2018	55,720	1,114	56,834	450,034	41,375	491,409	-	-	-	505,754	42,489	548,243
2019	-	-	-	286,708	27,192	313,900	-	-	-	286,708	27,192	313,900
2020	-	-	-	295,774	15,960	311,734	-	-	-	295,774	15,960	311,734
2021	-	-	-	73,031	8,795	81,826	-	-	-	73,031	8,795	81,826
2022	-	-	-	75,933	5,816	81,749	-	-	-	75,933	5,816	81,749
2023	-	-	-	24,666	3,791	28,457	-	-	-	24,666	3,791	28,457
2024	-	-	-	25,150	2,769	27,919	-	-	-	25,150	2,769	27,919
2025	-	-	-	26,600	1,705	28,305	-	-	-	26,600	1,705	28,305
2026	-	-	-	28,051	578	28,629	-	-	-	28,051	578	28,629
2027	-	-	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 430,318</u>	<u>\$ 54,830</u>	<u>\$ 485,148</u>	<u>\$ 3,649,990</u>	<u>\$ 678,264</u>	<u>\$ 4,328,254</u>	<u>\$ 13,586</u>	<u>\$ 747</u>	<u>\$ 14,333</u>	<u>\$ 4,093,894</u>	<u>\$ 733,841</u>	<u>\$ 4,827,735</u>

**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	Principal	Interest	Principal	Interest
2012	12,586	2,571	29,049	11,434	41,635	31,620
2013	17,586	1,753	27,195	10,353	44,781	28,948
2014	10,000	950	27,830	9,293	37,830	28,780
2015	10,000	317	29,726	8,181	39,726	30,043
2016	-	-	30,178	7,022	30,178	30,178
2017	-	-	31,113	5,836	31,113	31,113
2018	-	-	37,997	4,495	37,997	37,997
2019	-	-	25,834	3,251	25,834	25,834
2020	-	-	26,686	2,225	26,686	26,686
2021	-	-	12,138	1,462	12,138	12,138
2022	-	-	12,620	967	12,620	12,620
2023	-	-	4,100	630	4,100	4,100
2024	-	-	4,180	460	4,180	4,180
2025	-	-	4,421	284	4,421	4,421
2026	-	-	4,662	96	4,662	4,662
2027	-	-	-	-	-	-
	<b>\$ 50,172</b>	<b>\$ 5,591</b>	<b>\$ 307,729</b>	<b>\$ 65,989</b>	<b>\$ 357,901</b>	<b>\$ 313,320</b>
			<b>\$ 55,763</b>	<b>\$ 373,718</b>	<b>\$ 671,221</b>	<b>\$ 671,221</b>

**CITY OF GAINESVILLE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**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
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>\$ 793,164</u>	<u>\$ 104,931</u>	<u>\$ 898,095</u>	<u>\$ 1,942,848</u>	<u>\$ 454,412</u>	<u>\$ 2,397,260</u>	<u>\$ 300,000</u>	<u>\$ 19,520</u>	<u>\$ 319,520</u>	<u>\$ 3,036,012</u>	<u>\$ 578,863</u>	<u>\$ 3,614,875</u>

**City of Gainesville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2011**

**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
2012	119,475	51,998	171,473	3,966	278	4,244	123,441	52,276	175,717
2013	123,864	46,896	170,760	3,965	93	4,058	127,829	46,989	174,818
2014	142,289	41,231	183,520	-	-	-	142,289	41,231	183,520
2015	154,891	34,825	189,716	-	-	-	154,891	34,825	189,716
2016	159,728	27,941	187,669	-	-	-	159,728	27,941	187,669
2017	168,507	20,641	189,148	-	-	-	168,507	20,641	189,148
2018	83,074	15,203	98,277	-	-	-	83,074	15,203	98,277
2019	65,217	12,238	77,455	-	-	-	65,217	12,238	77,455
2020	67,546	9,583	77,129	-	-	-	67,546	9,583	77,129
2021	58,618	7,059	65,677	-	-	-	58,618	7,059	65,677
2022	60,948	4,667	65,615	-	-	-	60,948	4,667	65,615
2023	19,798	3,043	22,841	-	-	-	19,798	3,043	22,841
2024	20,186	2,224	22,410	-	-	-	20,186	2,224	22,410
2025	21,351	1,369	22,720	-	-	-	21,351	1,369	22,720
2026	22,513	464	22,977	-	-	-	22,513	464	22,977
2027	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-
	<b>\$ 1,288,005</b>	<b>\$ 279,382</b>	<b>\$ 1,567,387</b>	<b>\$ 7,931</b>	<b>\$ 371</b>	<b>\$ 8,302</b>	<b>\$ 1,295,936</b>	<b>\$ 279,753</b>	<b>\$ 1,575,689</b>

**CITY OF GAINESVILLE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**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	Principal	Interest	Principal	Interest
2012	4,214	3,249	1,897	133	6,111	3,382
2013	4,245	3,082	1,897	45	6,142	3,127
2014	5,669	2,887	-	-	5,669	2,887
2015	6,555	2,643	-	-	6,555	2,643
2016	6,577	2,383	-	-	6,577	2,383
2017	6,860	2,116	-	-	6,860	2,116
2018	10,334	1,775	-	-	10,334	1,775
2019	7,922	1,411	-	-	7,922	1,411
2020	8,201	1,089	-	-	8,201	1,089
2021	6,591	794	-	-	6,591	794
2022	6,853	525	-	-	6,853	525
2023	2,226	342	-	-	2,226	342
2024	2,270	250	-	-	2,270	250
2025	2,401	154	-	-	2,401	154
2026	2,533	52	-	-	2,533	52
	<b>\$ 83,451</b>	<b>\$ 22,752</b>	<b>\$ 3,794</b>	<b>\$ 178</b>	<b>\$ 87,245</b>	<b>\$ 22,930</b>
		<b>\$ 106,203</b>	<b>\$ 3,972</b>	<b>\$</b>	<b>\$</b>	<b>\$ 110,175</b>

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**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 exceeds 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, 2011, the outstanding balance of bonds considered defeased is \$4,705,000.

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, 2011, the outstanding balance of bonds considered defeased is \$8,575,000.

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

State and federal laws and regulations require that the City place a final cover on its municipal landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The City's landfill was considered full September 30, 1994. The estimated total cost of the landfill closure and postclosure care costs of \$1,075,000 recognized at September 30, 1993, was based on an amount that would be paid if all services required to close, monitor, and maintain the landfill were incurred as of September 30, 1993. However, the actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. In recent years, the postclosure liability has been increased to adjust for inflation. The balance of the liability at September 30, 2011 was \$592,028 of which \$10,708 is considered as a current liability. The change in the postclosure care costs liability for the fiscal year ended September 30, 2011 was \$-0-.

**G.      Compensated Absences**

The activity related to compensated absences is as follows:

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	Compensated Absences 10/1/2010	Earned	Used	Compensated Absences 9/30/2011	Current Portion
Governmental Funds	\$ 567,165	\$ 364,337	\$ 403,803	\$ 527,699	\$ 290,000
Proprietary Funds:					
Water & Sewer	63,322	50,031	51,379	61,974	30,987
Airport Fund	3,341	4,029	4,599	2,771	1,385
Stormwater Utility	8,148	3,223	3,789	7,582	3,791
Solid Waste	37,971	25,440	24,674	38,737	19,368
Golf Course	8,091	6,756	8,645	6,202	3,101
	<u>\$ 688,038</u>	<u>\$ 453,816</u>	<u>\$ 496,889</u>	<u>\$ 644,965</u>	<u>\$ 348,632</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. Fund Balance**

As discussed in Note I.F.7, the City adopted GASB Statement No. 5, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as Nonspendable, Restricted Committed, Assigned and Unassigned.

**General Fund**

The General Fund has Unassigned Fund Balance of \$6,679,703 at September 30, 2011. The General Fund has \$459 considered Nonspendable related to the inventory.

**Other Major Funds**

The Debt Service Fund has Restricted Fund Balance consisting of funds accumulated from property taxes to service the City's debt. The 2010 Certificates of Obligation Fund and the 2008 General Obligation Bonds fund balances are classified as Restricted. These funds represent unspent bond funds.

**Other Funds**

The fund balances of the Hotel/Motel Fund, Law Enforcement Office Education, Municipal Court Technology, Municipal Court Security, Juvenile Case Manager, Cable Peg Fee, Federal Seizure, State Seizure and Cohen Scholarship are classified as Restricted because of externally imposed restrictions. The Cemetery Fund fund balance is classified as Committed because of restrictions imposed by City ordinances. The Stanford House, G.I.V.E., City Athletic Fields, Financed Capital Projects and Construction Project Fund are classified as Assigned.

**2. 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.

**3. Net Assets: Restricted for Debt Service**

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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.

**4. 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.

**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 2011, 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,

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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, 2011, for GTUA, issued by the GTUA's independent auditors, reflected total assets for the City projects as \$8,863,714, liabilities of \$7,910,481 and total net assets of \$953,233. Additionally, total revenues and expenses for the City's projects were \$879,878 and \$605,097, respectively. Revenues, as reported, included investment income of \$4,034.

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, 2011, was \$750,000.

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, 2011, was \$950,000.

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, 2011, was \$2,170,000.

In fiscal year 2011, GTUA issued \$4,100,000 in Gainesville Contract Revenue Bonds having an interest rate of .021% to 2.587%. The City has agreed and is obligated to GTUA to make payments from pledged revenues of the Water and Sewer enterprise fund in amounts sufficient to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due. The balance outstanding at September 30, 2011 was \$4,100,000.

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

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Fiscal Years Ending September 30,	Principal	Interest	Amount
2012	745,000	177,238	922,238
2013	775,000	179,056	954,056
2014	400,000	166,129	566,129
2015	410,000	157,199	567,199
206	425,000	147,362	572,362
2017-2021	2,015,000	569,810	2,584,810
2022-2026	1,570,000	289,623	1,859,623
2027-2031	1,340,000	124,524	1,464,524
2032	290,000	3,751	293,751
	<u>\$ 7,970,000</u>	<u>\$ 1,814,692</u>	<u>\$ 9,784,692</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, 2011, 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, 2011, financial statements of GTUA.

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

Fiscal Years Ending September 30,	Principal	Interest	Amount
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	205,276	67,832	273,108
2017-2021	1,103,090	312,690	1,415,780
2022-2026	1,248,942	218,360	1,467,302
2027-2030	1,116,053	69,547	1,185,600
	<u>\$ 4,443,686</u>	<u>\$ 940,357</u>	<u>\$ 5,384,043</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**

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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. 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.

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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, 2011, was \$17,785,000. 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.

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](http://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 2010	Plan Year 2011
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 eligibilty (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

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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:

	9/30/2011	9/30/2010	9/30/2009
Annual Required Contribution (ARC)	\$ 1,033,281	\$ 985,648	\$ 821,943
Contributions Made	\$ 1,033,281	\$ 985,648	\$ 821,943

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010 also follows:

Valuation Date	12/31/2008	12/31/2009	12/31/2010-prior to restructuring	12/31/2010-Restructured
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	29 years; closed period	28.1 years; closed period	27 years; closed period	27.1 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
<b>Actuarial Assumptions:</b>				
Investment Rate of Return	7.5%	7.5%	7.5%	7.0%
Projected Salary Increases	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service
Includes Inflation At	3.00%	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.10%	2.10%	2.10%	2.10%

Funded Status and Funding Progress-In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

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The funded status as of December 31, 2011, under the two separate actuarial valuations, is presented 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
12/31/2010- Original Fund Structure	15,201,344	24,355,603	62.41%	9,154,259	9,578,022	95.58%
12/31/2010- New Fund Structure	23,691,433	30,656,653	77.28%	6,965,220	9,578,022	72.72%

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial 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:

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Calendar Year	Annual Required Contribution	Actual Contribution Made	Percentage of ARC Contributed
2009	2.7%	2.7%	100%
2010	2.5%	2.5%	100%
2011	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 199 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	2,167
Terminated Participants Entitled to Benefits but Not Yet Receiving Them	2,106
Active Participants (Vested and Nonvested)	4,371
Total	8,644

Senate Bill 411, 65<sup>th</sup> Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79<sup>th</sup> 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, 65<sup>th</sup> 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

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

\$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	8/31/2010
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. Prior Period Adjustments**

During the current fiscal years, several errors were discovered as follows:

- The City determined that the activity associated with the 2008 General Obligation Bonds was more appropriately reported in the governmental funds.
- The City determined that the activity associated with the 2010 Certificates of Obligation was more appropriately reported in the governmental funds.
- Capital costs associated with the I-35 project relate to moving utilities. This was originally recorded as a street project (Governmental Funds). These costs have been moved to the Water & Sewer fund.
- An error was discovered with the prior years' sales tax accrual.

The following summarizes the net effect of the above corrections:

**CITY OF GAINESVILLE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

	<u>Governmental Activities</u>
Transfer 2008 GO activity from Proprietary to Governmental Funds	\$ 303,183
Transfer 2010 CO activity from Proprietary to Governmental Funds	95,157
Reclassify I-35 Project from Governmental to Water & Sewer Funds	(542,684)
	<u>\$ (144,344)</u>

	<u>Water &amp; Sewer</u>	<u>Storm- water</u>	<u>Total Proprietary</u>
Transfer 2008 GO activity from Water & Sewer to Governmental Funds	\$ (59,845)	\$ (138,435)	\$ (198,280)
Reclassify I-35 Project from Governmental to Water & Sewer Funds	-	-	-
	542,684	-	542,684
	<u>\$ 482,839</u>	<u>\$ (138,435)</u>	<u>\$ 344,404</u>

	<u>General</u>	<u>2010 Cert of Oblig</u>	<u>2008 General Oblig</u>	<u>Non Major Governmental</u>	<u>Total Governmental</u>
Error in Sales Tax Accrual	\$ 455,443	\$ -	\$ -	\$ -	\$ 455,443
Transfer of Debt Proceeds from Proprietary Fund	-	2,885,476	3,180,317	-	6,065,793
Transfer of Water & Sewer Project from Capital Projects to Proprietary Fund	-	-	-	(1,033)	(1,033)
	<u>\$ 455,443</u>	<u>\$2,885,476</u>	<u>\$ 3,180,317</u>	<u>\$ (1,033)</u>	<u>\$ 6,520,203</u>

**J. Subsequent Events**

The City's management has evaluated subsequent events through January 31, 2012, the date which the financial statements were available for issue.

**REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF GAINESVILLE, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2011**

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
12/31/2008	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%
12/31/2010-Original Fund Structure	15,201,344	24,355,603	9,154,259	62.4%	9,578,022	95.6%
12/31/2010-New Fund Structure	23,691,433	30,656,653	6,965,220	77.3%	9,578,022	72.7%

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, 2011**

	<b>SPECIAL</b>			
	<b>LAW ENFORCEMENT OFFICER EDUCATION</b>	<b>MUNICIPAL COURT TECHNOLOGY</b>	<b>MUNICIPAL COURT SECURITY</b>	<b>HOTEL/ MOTEL</b>
<b>ASSETS:</b>				
Cash	\$ 2,513	\$ 4,737	\$ 1,857	\$ 288,900
Restricted Cash	-	-	-	-
Receivables (Net of Allowances for Uncollectibles)	-	-	-	-
Taxes	-	-	-	-
Other	-	20	14	65,268
Inventory	-	-	-	-
Interfund Receivables	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,513</b>	<b>\$ 4,757</b>	<b>\$ 1,871</b>	<b>\$ 354,168</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 695	\$ -	\$ 1,178	\$ 1,125
Deferred Revenues	-	-	-	-
Interfund Payable	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>695</b>	<b>-</b>	<b>1,178</b>	<b>1,125</b>
<b>FUND BALANCES:</b>				
<b>Nonspendable</b>	-	-	-	-
<b>Restricted:</b>				
Construction	-	-	-	-
Tourism and the Arts	-	-	-	353,043
Other	1,818	4,757	693	-
<b>Committed:</b>				
Cemetery	-	-	-	-
<b>Assigned:</b>				
Stanford House	-	-	-	-
Construction	-	-	-	-
Other	-	-	-	-
<b>Unassigned</b>	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>1,818</b>	<b>4,757</b>	<b>693</b>	<b>353,043</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,513</b>	<b>\$ 4,757</b>	<b>\$ 1,871</b>	<b>\$ 354,168</b>

**REVENUE FUNDS**

<b>G.I.V.E.</b>	<b>JUVENILE CASE MANAGER</b>	<b>MEDAL OF HONOR</b>	<b>CITY ATHLETIC FIELDS</b>	<b>STANFORD HOUSE</b>	<b>CABLE PEG FEE FUND</b>
\$ 1,020	\$ 7,532	\$ 16,409	\$ 21,847	\$ 210,685	\$ 19,117
-	-	-	-	-	-
-	-	-	-	-	-
110	20	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,130</u>	<u>\$ 7,552</u>	<u>\$ 16,409</u>	<u>\$ 21,847</u>	<u>\$ 210,685</u>	<u>\$ 19,117</u>
\$ 1,020	\$ -	\$ 16,409	\$ 3,768	\$ 48,373	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,020</u>	<u>-</u>	<u>16,409</u>	<u>3,768</u>	<u>48,373</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	7,552	-	-	-	19,117
-	-	-	-	-	-
-	-	-	-	162,312	-
-	-	-	-	-	-
110	-	-	18,079	-	-
-	-	-	-	-	-
<u>110</u>	<u>7,552</u>	<u>-</u>	<u>18,079</u>	<u>162,312</u>	<u>19,117</u>
<u>\$ 1,130</u>	<u>\$ 7,552</u>	<u>\$ 16,409</u>	<u>\$ 21,847</u>	<u>\$ 210,685</u>	<u>\$ 19,117</u>

**CITY OF GAINESVILLE, TEXAS**  
**COMBINING BALANCE SHEET**  
**NON MAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2011**

	<b>SPECIAL REVENUE FUNDS</b>			<b>CAPITAL</b>
	<b>FEDERAL SEIZURE FUND</b>	<b>STATE SEIZURE FUND</b>	<b>FRANK BUCK ZOO</b>	<b>FINANCED CAPITAL PROJECTS</b>
<b>ASSETS:</b>				
Cash	\$ 2,941	\$ 14,603	\$ 37,293	\$ 6,975
Restricted Cash	-	-	-	-
Receivables (Net of Allowances for Uncollectibles)				
Taxes	-	-	-	-
Other	-	-	2	-
Inventory	-	-	-	-
Interfund Receivables	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,941</b>	<b>\$ 14,603</b>	<b>\$ 37,295</b>	<b>\$ 6,975</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ -	\$ -	\$ 37,295	\$ -
Deferred Revenues	-	-	-	-
Interfund Payable	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>37,295</b>	<b>-</b>
<b>FUND BALANCES:</b>				
<b>Nonspendable</b>	-	-	-	-
<b>Restricted:</b>				
Construction	-	-	-	-
Tourism and the Arts	-	-	-	-
Other	2,941	14,603	-	-
<b>Committed:</b>				
Cemetery	-	-	-	-
<b>Assigned:</b>				
Stanford House	-	-	-	-
Construction	-	-	-	6,975
Other	-	-	-	-
<b>Unassigned</b>	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>2,941</b>	<b>14,603</b>	<b>-</b>	<b>6,975</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,941</b>	<b>\$ 14,603</b>	<b>\$ 37,295</b>	<b>\$ 6,975</b>

<u>PROJECTS</u>		<u>PERMANENT FUNDS</u>		
<u>CAPITAL CONSTRUCTION PROGRAMS</u>	<u>CONSTRUCTION PROJECTS FUND</u>	<u>CEMETERY PERMANENT</u>	<u>COHEN SCHOLARSHIP</u>	<u>TOTAL</u>
\$ -	\$ 108,097	\$ 1,270,358	\$ 11,658	\$ 2,026,542
-	-	-	-	-
-	-	-	-	-
-	-	2,444	-	67,878
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ 108,097</u>	<u>\$ 1,272,802</u>	<u>\$ 11,658</u>	<u>\$ 2,094,420</u>
\$ -	\$ 210	\$ -	\$ -	\$ 110,073
-	-	-	-	-
-	-	-	-	-
-	210	-	-	110,073
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	353,043
-	-	-	11,658	63,139
-	-	-	-	-
-	-	1,272,802	-	1,272,802
-	-	-	-	-
-	107,887	-	-	162,312
-	-	-	-	114,862
-	-	-	-	18,189
-	-	-	-	-
-	107,887	1,272,802	11,658	1,984,347
<u>\$ -</u>	<u>\$ 108,097</u>	<u>\$ 1,272,802</u>	<u>\$ 11,658</u>	<u>\$ 2,094,420</u>

**CITY OF GAINESVILLE, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<b>SPECIAL REVENUE FUNDS</b>			
	<b>LAW ENFORCE. OFFICER EDUCATION</b>	<b>MUNICIPAL COURT TECH.</b>	<b>MUNICIPAL COURT SECURITY</b>	<b>HOTEL/ MOTEL</b>
<b>REVENUES</b>				
Taxes:				
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Occupancy Tax	-	-	-	581,144
Service Charges	-	-	-	-
License & Permits	-	-	-	-
Fines & Forfeitures	-	11,613	8,550	-
Investment Income	38	49	80	568
Intergovernmental Revenues	3,159	-	-	-
Other Income	-	3	-	-
<b>TOTAL REVENUES</b>	<u>3,197</u>	<u>11,665</u>	<u>8,630</u>	<u>581,712</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	95,070
Community Development	-	-	-	-
Finance	-	-	-	-
Public Safety	14,312	19,637	10,358	-
Public Works	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
Capital Outlay	-	-	15,568	-
<b>TOTAL EXPENDITURES</b>	<u>14,312</u>	<u>19,637</u>	<u>25,926</u>	<u>95,070</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(11,115)</u>	<u>(7,972)</u>	<u>(17,296)</u>	<u>486,642</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of Debt	-	-	-	-
Funds Transferred In	-	-	-	-
Funds Transferred Out	-	-	(5,000)	(326,800)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>(326,800)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(11,115)</u>	<u>(7,972)</u>	<u>(22,296)</u>	<u>159,842</u>
<b>FUND BALANCE - October 1</b>	<u>12,933</u>	<u>12,729</u>	<u>22,989</u>	<u>193,201</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - October 1, as restated</b>	<u>12,933</u>	<u>12,729</u>	<u>22,989</u>	<u>193,201</u>
<b>FUND BALANCE - September 30</b>	<u>\$ 1,818</u>	<u>\$ 4,757</u>	<u>\$ 693</u>	<u>\$ 353,043</u>

<b>G.I.V.E</b>	<b>JUVENILE CASE MANAGER</b>	<b>MEDAL OF HONOR</b>	<b>CITY ATHLETIC FIELDS</b>	<b>STANFORD HOUSE</b>	<b>CABLE PEG FEE FUND</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	19,745	4,851	-
-	-	-	-	-	19,115
-	13,290	-	-	-	-
-	26	17	32	4,241	2
-	-	-	-	-	-
2,202	-	36,296	-	77,255	-
<u>2,202</u>	<u>13,316</u>	<u>36,313</u>	<u>19,777</u>	<u>86,347</u>	<u>19,117</u>
1,802	-	36,313	-	81,211	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	16,518	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,802</u>	<u>-</u>	<u>36,313</u>	<u>16,518</u>	<u>81,211</u>	<u>-</u>
400	13,316	-	3,259	5,136	19,117
-	-	-	-	-	-
-	-	-	-	-	-
<u>(411)</u>	<u>(10,000)</u>	<u>-</u>	<u>(2,006)</u>	<u>-</u>	<u>-</u>
<u>(411)</u>	<u>(10,000)</u>	<u>-</u>	<u>(2,006)</u>	<u>-</u>	<u>-</u>
<u>(11)</u>	<u>3,316</u>	<u>-</u>	<u>1,253</u>	<u>5,136</u>	<u>19,117</u>
121	4,236	-	16,826	157,176	-
-	-	-	-	-	-
121	4,236	-	16,826	157,176	-
<u>\$ 110</u>	<u>\$ 7,552</u>	<u>\$ -</u>	<u>\$ 18,079</u>	<u>\$ 162,312</u>	<u>\$ 19,117</u>

**CITY OF GAINESVILLE, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<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>
<b>REVENUES</b>				
Taxes:				
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Occupancy Tax	-	-	-	-
Service Charges	-	-	480,083	-
License & Permits	-	-	-	-
Fines & Forfeitures	-	-	-	-
Investment Income	11	40	-	9
Intergovernmental Revenues	-	-	-	-
Other Income	-	11,922	51,189	-
<b>TOTAL REVENUES</b>	<u>11</u>	<u>11,962</u>	<u>531,272</u>	<u>9</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Community Development	-	-	-	-
Finance	-	-	-	-
Public Safety	-	6,688	-	-
Public Works	-	-	897,578	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
Capital Outlay	-	3,271	24,654	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>9,959</u>	<u>922,232</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>11</u>	<u>2,003</u>	<u>(390,960)</u>	<u>9</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of Debt	-	-	-	-
Funds Transferred In	-	-	745,855	-
Funds Transferred Out	-	-	(5,734)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>740,121</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>11</u>	<u>2,003</u>	<u>349,161</u>	<u>9</u>
<b>FUND BALANCE - October 1</b>	2,930	12,600	(349,161)	6,966
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	-	-
<b>FUND BALANCE - October 1, as restated</b>	2,930	12,600	(349,161)	6,966
<b>FUND BALANCE - September 30</b>	<u>\$ 2,941</u>	<u>\$ 14,603</u>	<u>\$ -</u>	<u>\$ 6,975</u>

CAPITAL CONSTRUCTION PROGRAMS	PROJECTS FUNDS	PERMANENT FUNDS			TOTAL
	CONSTRUCTION PROJECTS FUND	CEMETERY PERMANENT	COHEN SCHOLARSHIP		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	581,144
-	-	-	-	-	504,679
-	-	-	-	-	19,115
-	-	-	-	-	33,453
-	-	7,975	15	-	13,103
-	-	-	-	-	3,159
-	15,996	31,600	-	-	226,463
-	15,996	39,575	15	-	1,381,116
-	-	-	500	-	214,896
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	50,995
-	-	-	-	-	914,096
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	9,056	-	-	-	52,549
-	9,056	-	500	-	1,232,536
-	6,940	39,575	(485)	-	148,580
-	-	-	-	-	-
-	100,947	-	-	-	846,802
-	-	(7,975)	-	-	(357,926)
-	100,947	(7,975)	-	-	488,876
-	107,887	31,600	(485)	-	637,456
1,033	-	1,241,202	12,143	-	1,347,924
(1,033)	-	-	-	-	(1,033)
-	-	1,241,202	12,143	-	1,346,891
\$ -	\$ 107,887	\$ 1,272,802	\$ 11,658	\$ -	\$ 1,984,347



# Budgetary Comparison Schedules

Major Governmental Funds

**CITY OF GAINESVILLE, TEXAS**  
**DEBT SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES-BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<b>BUDGET</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 1,804,270	\$ 1,782,563	\$ 1,821,115	\$ 38,552
Investment Income	2,844	2,000	1,489	(511)
Other Income	8,640	8,640	36,706	28,066
<b>TOTAL REVENUES</b>	<u>1,815,754</u>	<u>1,793,203</u>	<u>1,859,310</u>	<u>66,107</u>
<b>EXPENDITURES</b>				
Current:				
General Government	9,500	64,512	74,620	(10,108)
Debt Service				
Principal Retirement	1,039,008	1,039,008	1,039,008	-
Interest and Fiscal Charges	942,956	764,923	774,173	(9,250)
<b>TOTAL EXPENDITURES</b>	<u>1,991,464</u>	<u>1,868,443</u>	<u>1,887,801</u>	<u>(19,358)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(175,710)</u>	<u>(75,240)</u>	<u>(28,491)</u>	<u>46,749</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Funds Transferred In	390,850	386,850	400,100	13,250
Funds Transferred Out	(209,654)	(211,160)	(209,654)	(1,506)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>181,196</u>	<u>175,690</u>	<u>190,446</u>	<u>11,744</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	5,486	100,450	161,955	58,493
<b>FUND BALANCE - October 1</b>	<u>682,392</u>	<u>682,392</u>	<u>682,392</u>	<u>-</u>
<b>FUND BALANCE - September 30</b>	<u>\$ 687,878</u>	<u>\$ 782,842</u>	<u>\$ 844,347</u>	<u>\$ 58,493</u>

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



# 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, 2011**

	<b>BUDGET</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
Intergovernmental Revenues	\$ 3,700	\$ 3,159	\$ 3,159	\$ -
Investment Income	70	30	38	8
Other Income	-	-	-	-
<b>TOTAL REVENUES</b>	<u>3,770</u>	<u>3,189</u>	<u>3,197</u>	<u>8</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	<u>9,000</u>	<u>11,192</u>	<u>14,312</u>	<u>(3,120)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(5,230)</u>	<u>(8,003)</u>	<u>(11,115)</u>	<u>(3,112)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Funds Transferred In	-	-	-	-
Funds Transferred Out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(5,230)</u>	<u>(8,003)</u>	<u>(11,115)</u>	<u>(3,112)</u>
<b>FUND BALANCE - October 1</b>	<u>12,933</u>	<u>12,933</u>	<u>12,933</u>	<u>-</u>
<b>FUND BALANCE - September 30</b>	<u>\$ 7,703</u>	<u>\$ 4,930</u>	<u>\$ 1,818</u>	<u>\$ (3,112)</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, 2011**

	<b>BUDGET</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
Fines & Forfeitures	\$ 13,000	\$ 11,000	\$ 11,613	\$ 613
Investment Income	-	70	49	(21)
Other Income	-	3	3	-
<b>TOTAL REVENUES</b>	<u>13,000</u>	<u>11,073</u>	<u>11,665</u>	<u>592</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	<u>10,400</u>	<u>10,600</u>	<u>19,637</u>	<u>(9,037)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,600</u>	<u>473</u>	<u>(7,972)</u>	<u>(8,445)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Funds Transferred In	-	-	-	-
Funds Transferred Out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>2,600</u>	<u>473</u>	<u>(7,972)</u>	<u>(8,445)</u>
<b>FUND BALANCE - October 1</b>	<u>12,729</u>	<u>12,729</u>	<u>12,729</u>	<u>-</u>
<b>FUND BALANCE - September 30</b>	<u>\$ 15,329</u>	<u>\$ 13,202</u>	<u>\$ 4,757</u>	<u>\$ (8,445)</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, 2011**

	<b>BUDGET</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
Fines & Forfeitures	\$ 11,000	\$ 8,600	\$ 8,550	\$ (50)
Investment Income	-	60	80	20
Other Income	-	-	-	-
<b>TOTAL REVENUES</b>	<u>11,000</u>	<u>8,660</u>	<u>8,630</u>	<u>(30)</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	9,800	9,720	10,358	(638)
Capital Outlay	-	15,000	15,568	(568)
<b>TOTAL EXPENDITURES</b>	<u>9,800</u>	<u>24,720</u>	<u>25,926</u>	<u>(1,206)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,200</u>	<u>(16,060)</u>	<u>(17,296)</u>	<u>(1,236)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Funds Transferred In	-	-	-	-
Funds Transferred Out	-	(5,000)	(5,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>1,200</u>	<u>(21,060)</u>	<u>(22,296)</u>	<u>(1,236)</u>
<b>FUND BALANCE - October 1</b>	<u>22,989</u>	<u>22,989</u>	<u>22,989</u>	<u>-</u>
<b>FUND BALANCE - September 30</b>	<u>\$ 24,189</u>	<u>\$ 1,929</u>	<u>\$ 693</u>	<u>\$ (1,236)</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, 2011**

	<b>BUDGET</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
Other Local Taxes	\$ 392,300	\$ 488,200	\$ 581,144	\$ 92,944
Investment Income	2,500	750	568	(182)
Other Income	-	-	-	-
<b>TOTAL REVENUES</b>	<u>394,800</u>	<u>488,950</u>	<u>581,712</u>	<u>92,762</u>
<b>EXPENDITURES</b>				
Current:				
General Government	70,500	87,436	95,070	(7,634)
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>70,500</u>	<u>87,436</u>	<u>95,070</u>	<u>(7,634)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>324,300</u>	<u>401,514</u>	<u>486,642</u>	<u>85,128</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Funds Transferred In	-	-	-	-
Funds Transferred Out	(326,800)	(326,800)	(326,800)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(326,800)</u>	<u>(326,800)</u>	<u>(326,800)</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(2,500)</u>	<u>74,714</u>	<u>159,842</u>	<u>85,128</u>
<b>FUND BALANCE - October 1</b>	<u>193,201</u>	<u>193,201</u>	<u>193,201</u>	<u>-</u>
<b>FUND BALANCE - September 30</b>	<u>\$ 190,701</u>	<u>\$ 267,915</u>	<u>\$ 353,043</u>	<u>\$ 85,128</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, 2011**

	<b>BUDGET</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ -
Investment Income	-	-	-	-
Other Income	2,262	2,214	2,202	(12)
<b>TOTAL REVENUES</b>	<u>2,262</u>	<u>2,214</u>	<u>2,202</u>	<u>(12)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	<u>2,262</u>	<u>2,341</u>	<u>1,802</u>	<u>539</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>(127)</u>	<u>400</u>	<u>527</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Funds Transferred In	-	-	-	-
Funds Transferred (Out)	-	-	(411)	411
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(411)</u>	<u>411</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>-</u>	<u>(127)</u>	<u>(11)</u>	<u>938</u>
<b>FUND BALANCE - October 1</b>	<u>121</u>	<u>121</u>	<u>121</u>	<u>-</u>
<b>FUND BALANCE - September 30</b>	<u>\$ 121</u>	<u>\$ (6)</u>	<u>\$ 110</u>	<u>\$ 938</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, 2011**

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Charges for Services	\$ 406,488	\$ 406,488	\$ 480,083	\$ 73,595
Investment Income	-	-	-	-
Other Income	-	-	51,189	51,189
<b>TOTAL REVENUES</b>	<u>406,488</u>	<u>406,488</u>	<u>531,272</u>	<u>124,784</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Public Works	906,672	906,672	897,578	9,094
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	15,000	15,000	24,654	(9,654)
<b>TOTAL EXPENDITURES</b>	<u>921,672</u>	<u>921,672</u>	<u>922,232</u>	<u>(560)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(515,184)</u>	<u>(515,184)</u>	<u>(390,960)</u>	<u>124,224</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Debt	-	-	-	-
Funds Transferred In	-	-	745,855	745,855
Funds Transferred Out	(5,734)	(5,734)	(5,734)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(5,734)</u>	<u>(5,734)</u>	<u>740,121</u>	<u>745,855</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(520,918)</u>	<u>(520,918)</u>	<u>349,161</u>	<u>870,079</u>
<b>FUND BALANCE - October 1</b>	<u>(349,161)</u>	<u>(349,161)</u>	<u>(349,161)</u>	<u>-</u>
<b>FUND BALANCE - September 30</b>	<u>\$ (870,079)</u>	<u>\$ (870,079)</u>	<u>\$ -</u>	<u>\$ 870,079</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, 2011**

	<u>BUDGET</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
Charges for Services	\$ 16,000	\$ 16,000	\$ 19,745	\$ 3,745
Investment income	30	35	32	(3)
Other income	-	-	-	-
<b>TOTAL REVENUES</b>	<u>16,030</u>	<u>16,035</u>	<u>19,777</u>	<u>3,742</u>
<b>EXPENDITURES</b>				
Current:				
Public Works	12,000	-	16,518	(16,518)
Capital Outlay	-	8,000	-	8,000
<b>TOTAL EXPENDITURES</b>	<u>12,000</u>	<u>8,000</u>	<u>16,518</u>	<u>(8,518)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>4,030</u>	<u>8,035</u>	<u>3,259</u>	<u>(4,776)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Funds transferred in	-	-	(2,006)	(2,006)
Funds transferred (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(2,006)</u>	<u>(2,006)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>4,030</u>	<u>8,035</u>	<u>1,253</u>	<u>(6,782)</u>
<b>FUND BALANCE -OCTOBER 1</b>	<u>16,826</u>	<u>16,826</u>	<u>16,826</u>	<u>-</u>
<b>FUND BALANCE-SEPTEMBER 30</b>	<u>\$ 20,856</u>	<u>\$ 24,861</u>	<u>\$ 18,079</u>	<u>\$ (6,782)</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, 2011**

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	20	15	11	(4)
Other income	-	-	-	-
<b>TOTAL REVENUES</b>	<u>20</u>	<u>15</u>	<u>11</u>	<u>(4)</u>
<b>EXPENDITURES</b>				
Current:				
Public Works	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>20</u>	<u>15</u>	<u>11</u>	<u>(4)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Funds transferred in	-	-	-	-
Funds transferred (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	20	15	11	(4)
<b>FUND BALANCE -OCTOBER 1</b>	<u>2,930</u>	<u>2,930</u>	<u>2,930</u>	<u>-</u>
<b>FUND BALANCE-SEPTEMBER 30</b>	<u>\$ 2,950</u>	<u>\$ 2,945</u>	<u>\$ 2,941</u>	<u>\$ (4)</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, 2011**

	<u>BUDGET</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	168	-	40	40
Other income	-	9,118	11,922	2,804
<b>TOTAL REVENUES</b>	<u>168</u>	<u>9,118</u>	<u>11,962</u>	<u>2,844</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	11,700	12,803	6,688	6,115
Capital Outlay	20,000	-	3,271	(3,271)
<b>TOTAL EXPENDITURES</b>	<u>31,700</u>	<u>12,803</u>	<u>9,959</u>	<u>2,844</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(31,532)</u>	<u>(3,685)</u>	<u>2,003</u>	<u>5,688</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Funds transferred in	-	-	-	-
Funds transferred (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(31,532)</u>	<u>-</u>	<u>2,003</u>	<u>5,688</u>
<b>FUND BALANCE -OCTOBER 1</b>	<u>12,600</u>	<u>12,600</u>	<u>12,600</u>	<u>-</u>
<b>FUND BALANCE-SEPTEMBER 30</b>	<u>\$ (18,932)</u>	<u>\$ 12,600</u>	<u>\$ 14,603</u>	<u>\$ 5,688</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, 2011**

	<u>BUDGET</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	8,000	4,200	7,975	3,775
Other income	40,000	30,000	31,600	1,600
<b>TOTAL REVENUES</b>	<u>48,000</u>	<u>34,200</u>	<u>39,575</u>	<u>5,375</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>48,000</u>	<u>34,200</u>	<u>39,575</u>	<u>5,375</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Funds transferred in	-	-	-	-
Funds transferred (out)	(8,000)	(4,200)	(7,975)	(3,775)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(8,000)</u>	<u>(4,200)</u>	<u>(7,975)</u>	<u>(3,775)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	40,000	30,000	31,600	1,600
<b>FUND BALANCE -OCTOBER 1</b>	<u>1,241,202</u>	<u>1,241,202</u>	<u>1,241,202</u>	<u>-</u>
<b>FUND BALANCE-SEPTEMBER 30</b>	<u>\$ 1,281,202</u>	<u>\$ 1,271,202</u>	<u>\$ 1,272,802</u>	<u>\$ 1,600</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, 2011**

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	24	20	15	(5)
Other income	-	-	-	-
<b>TOTAL REVENUES</b>	<u>24</u>	<u>20</u>	<u>15</u>	<u>(5)</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	500	500	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>24</u>	<u>(480)</u>	<u>(485)</u>	<u>(5)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Funds transferred in	-	-	-	-
Funds transferred (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	24	(480)	(485)	(5)
<b>FUND BALANCE -OCTOBER 1</b>	<u>12,143</u>	<u>12,143</u>	<u>12,143</u>	<u>-</u>
<b>FUND BALANCE-SEPTEMBER 30</b>	<u>\$ 12,167</u>	<u>\$ 11,663</u>	<u>\$ 11,658</u>	<u>\$ (5)</u>

**CITY OF GAINESVILLE, TEXAS**  
**JUVENILE CASE MANAGER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES-BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<b>BUDGET</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
Fines & Forfeitures	\$ 6,000	\$ 12,000	\$ 13,290	\$ 1,290
Investment Income	-	19	26	7
Other Income	-	-	-	-
<b>TOTAL REVENUES</b>	<u>6,000</u>	<u>12,019</u>	<u>13,316</u>	<u>1,297</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>6,000</u>	<u>12,019</u>	<u>13,316</u>	<u>1,297</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Funds Transferred In	-	-	-	-
Funds Transferred Out	(9,000)	(10,000)	(10,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(9,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(3,000)</u>	<u>2,019</u>	<u>3,316</u>	<u>1,297</u>
<b>FUND BALANCE - October 1</b>	<u>4,236</u>	<u>4,236</u>	<u>4,236</u>	<u>-</u>
<b>FUND BALANCE - September 30</b>	<u>\$ 1,236</u>	<u>\$ 6,255</u>	<u>\$ 7,552</u>	<u>\$ 1,297</u>

**CITY OF GAINESVILLE, TEXAS**  
**MEDAL OF HONOR**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES-BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<b>BUDGET</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	8	8	17	9
Other income	45,000	45,000	36,296	(8,704)
<b>TOTAL REVENUES</b>	<u>45,008</u>	<u>45,008</u>	<u>36,313</u>	<u>(8,695)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	<u>45,008</u>	<u>45,008</u>	<u>36,313</u>	<u>8,695</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Funds transferred in	-	-	-	-
Funds transferred (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE -OCTOBER 1</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE-SEPTEMBER 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2011**

Governmental Funds Capital Assets:	
Land	\$ 920,036
Buildings	9,454,324
Improvements other than Building	78,120,021
Machinery and Equipment	5,966,413
Furniture and Fixtures	196,026
Office Machinery and Equipment	1,971,524
Construction in Progress	<u>5,198,895</u>
 Total Governmental Funds Capital Assets	 <u>\$ 101,827,239</u>
 Investment in Governmental Funds Capital Assets by Source:	
General Fund	\$ 82,803,315
Capital Project Funds	15,637,021
Special Revenue Funds	2,124,097
Permanent Funds	<u>1,262,806</u>
 Total Investment in Governmental Capital Assets	 <u>\$ 101,827,239</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, 2011**

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Furniture and Fixtures	Office Mach. and Equipment	Construction In Progress	Total
<b>General Government:</b>								
Administration	\$ 158,971	\$ 479,528	\$ -	\$ 12,854	\$ -	\$ 43,120	\$ -	\$ 694,473
Main Street Program	-	-	298,168	-	-	-	-	298,168
Building Operations	74,132	6,292,680	751,677	17,983	177,808	-	-	7,314,280
Civic Center Operations	-	1,527,947	156,328	1,674	-	-	-	1,685,949
Community Development	-	-	19,256	30,194	-	-	-	49,450
Finance	-	-	-	-	-	292,877	-	292,877
<b>Total General Government</b>	<b>233,103</b>	<b>8,300,155</b>	<b>1,225,429</b>	<b>62,705</b>	<b>177,808</b>	<b>335,997</b>	<b>-</b>	<b>10,335,197</b>
<b>Public Safety:</b>								
Police	-	272,352	40,934	1,353,397	18,218	1,470,584	-	3,155,485
Fire	-	118,788	-	2,001,696	-	97,999	-	2,218,483
<b>Total Public Safety</b>	<b>-</b>	<b>391,140</b>	<b>40,934</b>	<b>3,355,093</b>	<b>18,218</b>	<b>1,568,583</b>	<b>-</b>	<b>5,373,968</b>
<b>Public Works:</b>								
Administration	-	77,011	-	-	-	50,548	-	127,559
Street Maintenance	600,013	173,504	72,462,170	1,623,451	-	16,396	5,198,895	80,074,429
Central Garage	-	-	-	182,919	-	-	-	182,919
Parks and Recreation	20,920	247,080	619,712	357,736	-	-	-	1,245,448
Zoo Operations	-	79,368	2,617,224	73,538	-	-	-	2,770,130
Cemetery Operations	-	-	-	112,325	-	-	-	112,325
<b>Total Public Works</b>	<b>620,933</b>	<b>576,963</b>	<b>75,699,106</b>	<b>2,349,969</b>	<b>-</b>	<b>66,944</b>	<b>5,198,895</b>	<b>84,512,810</b>
<b>Community Services:</b>								
Parks and Recreation	66,000	135,972	262,167	70,349	-	-	-	534,488
Zoo	-	50,094	488,022	-	-	-	-	538,116
Inspections	-	-	-	37,224	-	-	-	37,224
Environmental Health	-	-	-	38,311	-	-	-	38,311
Cemetery	-	-	404,363	52,762	-	-	-	457,125
<b>Total Community Services</b>	<b>66,000</b>	<b>186,066</b>	<b>1,154,552</b>	<b>198,646</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,605,264</b>
<b>Total Governmental Capital Assets</b>	<b>\$ 920,036</b>	<b>\$ 9,454,324</b>	<b>\$ 78,120,021</b>	<b>\$ 5,966,413</b>	<b>\$ 196,026</b>	<b>\$ 1,971,524</b>	<b>\$ 5,198,895</b>	<b>\$ 101,827,239</b>

**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, 2011**

Function and Activity	Balance 10/1/2010	Additions/ Completions	Disposals/ Reclassifications	Transfers	Balance 9/30/2011
<b>General Government:</b>					
Administration	\$ 694,473	\$ -	\$ -	\$ -	\$ 694,473
Main Street Program	298,168	-	-	-	298,168
Building Operations	7,284,604	29,676	-	-	7,314,280
Civic Center Operations	1,657,719	28,230	-	-	1,685,949
Community Development	24,746	24,704	-	-	49,450
Finance	292,877	-	-	-	292,877
<b>Total General Government</b>	<b>10,252,587</b>	<b>82,610</b>	<b>-</b>	<b>-</b>	<b>10,335,197</b>
<b>Public Safety:</b>					
Police	2,891,002	264,483	-	-	3,155,485
Fire	2,074,667	143,816	-	-	2,218,483
<b>Total Public Safety</b>	<b>4,965,669</b>	<b>408,299</b>	<b>-</b>	<b>-</b>	<b>5,373,968</b>
<b>Public Works:</b>					
Administration	127,559	-	-	-	127,559
Street Maintenance	74,745,298	3,766,569	-	1,562,562	80,074,429
Central Garage	182,919	-	-	-	182,919
Parks and Recreation	944,642	239,829	60,977	-	1,245,448
Zoo Operations	2,745,477	24,653	-	-	2,770,130
Other Operations	101,196	11,129	-	-	112,325
<b>Total Public Works</b>	<b>78,847,091</b>	<b>4,042,180</b>	<b>60,977</b>	<b>1,562,562</b>	<b>84,512,810</b>
<b>Community Services:</b>					
Parks and Recreation	595,465	-	(60,977)	-	534,488
Zoo	538,116	-	-	-	538,116
Inspections	37,224	-	-	-	37,224
Environmental Health	38,311	-	-	-	38,311
Cemetery	457,125	-	-	-	457,125
<b>Total Community Services</b>	<b>1,666,241</b>	<b>-</b>	<b>(60,977)</b>	<b>-</b>	<b>1,605,264</b>
<b>Total Governmental Capital Assets</b>	<b>\$ 95,731,588</b>	<b>\$ 4,533,089</b>	<b>\$ -</b>	<b>\$ 1,562,562</b>	<b>\$ 101,827,239</b>

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



## 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:

<b>Contents</b>	<b>Page</b>
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.	107
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.	114
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	125
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	130
Operating Information These schedules contain personnel, service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	132

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
<b>Governmental activities</b>										
<b>Invested in capital assets</b>										
net of related debt	\$ (3,836,724)	\$ 276,793	\$ (127,020)	\$ 57,472	\$ 392,926	\$ 779,029	\$ 2,978,341	\$ 2,633,311	\$ (1,359,842)	
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	1,272,802	
Unrestricted	1,627,227	953,260	418,958	676,384	2,135,879	4,224,966	4,885,310	6,487,507	13,574,502	
<b>Total governmental activities net assets</b>	\$ 3,123,034	\$ 2,361,533	\$ 1,342,331	\$ 1,843,684	\$ 3,682,631	\$ 6,177,932	\$ 9,072,538	\$ 10,362,020	\$ 13,487,462	
<b>Business-type activities</b>										
<b>Invested in capital assets</b>										
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	\$ 5,535,078	
Restricted	178,754	0	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	3,852,677	
<b>Total business-type activities net assets</b>	\$ 1,788,187	\$ 4,230,594	\$ 3,580,631	\$ 4,059,567	\$ 4,152,396	\$ 4,801,812	\$ 5,869,069	\$ 7,424,263	\$ 9,387,755	
<b>Primary government</b>										
<b>Invested in capital assets</b>										
net of related debt	\$ (5,251,250)	\$ 5,598,966	\$ 4,243,163	\$ 4,057,728	\$ 3,830,647	\$ 4,219,401	\$ 6,372,537	\$ 4,588,975	\$ 4,175,236	
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	1,272,802	
Unrestricted	4,651,186	(138,319)	(370,594)	735,695	2,850,554	5,586,406	7,360,183	11,956,106	17,427,179	
<b>Total primary government net assets</b>	\$ 4,911,221	\$ 6,592,127	\$ 4,922,962	\$ 5,903,251	\$ 7,835,027	\$ 10,979,744	\$ 14,941,607	\$ 17,786,283	\$ 22,875,217	

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>									
<b>Governmental Activities:</b>									
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	\$2,043,290
Community Development	336,198	403,837	346,006	739,496	276,415	349,900	354,000	410,999	347,571
Community Services	0	0	280,376	0	0	0	0	0	0
Finance	430,017	430,252	418,343	448,742	448,207	431,430	399,885	401,758	400,922
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	7,747,905
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	3,347,486
Non-Departmental	0	0	0	0	0	0	20,163	0	0
Interest on Long-Term Debt	677,892	706,156	692,445	716,205	484,224	536,201	530,804	450,764	808,937
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	14,696,111
<b>Business-Type Activities:</b>									
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	5,890,140
Municipal Airport	805,455	737,528	1,085,905	1,159,891	1,264,900	1,563,695	1,072,340	1,097,044	1,339,425
Golf Course	413,128	404,692	448,445	513,501	543,412	617,356	582,525	550,564	558,961
Stormwater	235,390	212,002	204,319	322,836	286,029	320,769	442,089	393,324	194,267
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	2,316,359
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	10,299,152
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	\$24,995,263
<b>Program Revenues</b>									
<b>Governmental Activities:</b>									
Fines, Fees, Charges for Services									
General Government	\$154,436	\$0	\$0	\$0	\$25,000	\$25,000	\$0	\$0	\$0
Community Development	108,231	335,445	555,136	752,026	725,940	851,088	392,201	372,813	481,946
Public Safety	263,954	637,607	464,285	497,638	505,799	587,271	467,336	425,670	471,929
General/Public Services	86,315	0	0	0	0	0	453,436	453,449	518,943
Operating Grants and Contributions	371,190	295,889	125,861	523,173	883,906	385,352	1,480,927	235,593	268,736
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	1,741,554

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Program Revenues (continued)</b>									
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	\$7,691,710
Municipal Airport	649,230	652,730	717,675	923,305	961,110	1,263,399	878,792	896,501	1,132,279
Golf Course	227,645	184,063	290,373	322,630	250,432	366,356	345,795	285,532	270,195
Stormwater	207,345	239,705	407,873	513,261	545,569	551,395	963,149	960,287	949,795
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	3,591,358
Operating Grants and Contributions	774,152	2,633,788	448,851	136,933	76,539	90,123	185,616	919,693	377,385
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	14,012,722
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	\$15,754,276
<b>Net (Expense)/Revenue</b>									
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)	(\$12,954,557)
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	3,713,570
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)	(\$9,240,987)
<b>General Revenues and Other Changes in Net Assets</b>									
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	\$5,424,213
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	5,401,018
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	1,935,302
Investment Income	76,421	56,086	43,262	87,331	152,191	134,030	78,460	31,581	32,797
Miscellaneous	265,832	383,375	267,912	470,074	450,333	364,550	514,287	657,349	1,322,069
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	2,108,944
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	16,224,343
Business-Type Activities:									
Investment Income	26,305	1,951	29,791	9,151	36,710	34,741	39,618	11,181	4,462
Miscellaneous	29,774	0	0	0	347,374	387,975	83,967	8,962	10,000
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)	(2,108,944)
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)	(2,094,482)
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	\$14,129,861
<b>Change in Net Assets</b>									
Governmental Activities	(\$1,562,878)	(\$761,501)	(\$1,019,202)	\$501,353	\$1,838,947	\$2,495,301	\$2,801,600	\$1,289,482	\$3,269,786
Business-Type Activities	(56,636)	2,431,829	(649,963)	412,498	466,064	649,416	1,067,257	1,555,194	1,619,088
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	\$4,888,874

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		
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	
2011	\$ 5,424,213	\$ 5,401,018	\$ 1,321,800	\$ 32,358	\$ 581,144	\$ 12,760,533	

Statement of Rev and Exp and changes in Fund Balances

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Fund</b>										
Reserved	\$0	\$18,124	\$30,470	\$38,619	\$43,656	\$19,235	\$40,530	\$428	\$628	\$0
Unreserved	88,528	678,504	333,032	370,806	1,007,234	1,938,783	3,385,907	4,224,247	5,051,487	0
Nonspendable	0	0	0	0	0	0	0	0	0	459
Unassigned	0	0	0	0	0	0	0	0	0	6,679,703
<b>Total General Fund</b>	<b>\$88,528</b>	<b>\$696,628</b>	<b>\$363,502</b>	<b>\$409,425</b>	<b>\$1,050,890</b>	<b>\$1,958,018</b>	<b>\$3,426,437</b>	<b>\$4,224,675</b>	<b>\$5,052,115</b>	<b>\$6,680,162</b>
<b>All Other Governmental Funds</b>										
Reserved	\$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	\$0
Unreserved, reported in:										
Special Revenue Funds	125,066	104,679	171,993	265,083	(764,402)	(590,815)	(88,470)	0	86,580	0
Capital Projects Funds	5,079,885	793,121	677,514	(22,782)	584,107	(65,886)	0	328,115	0	0
Nonspendable	0	0	0	0	0	0	0	0	0	0
Restricted:	0	0	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0	0	844,347
Construction	0	0	0	0	0	0	0	0	0	4,930,607
Tourism and the Arts	0	0	0	0	0	0	0	0	0	353,043
Other	0	0	0	0	0	0	0	0	0	63,139
Committed:	0	0	0	0	0	0	0	0	0	1,272,802
Cemetery	0	0	0	0	0	0	0	0	0	162,312
Assigned:	0	0	0	0	0	0	0	0	0	114,862
Stanford House	0	0	0	0	0	0	0	0	0	18,189
Construction	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Unassigned	0	0	0	0	0	0	0	0	0	0
<b>Total All Other Governmental Funds</b>	<b>\$5,434,895</b>	<b>\$6,230,331</b>	<b>\$3,235,504</b>	<b>\$2,400,438</b>	<b>\$947,346</b>	<b>\$747,398</b>	<b>\$2,119,699</b>	<b>\$2,203,229</b>	<b>\$3,982,152</b>	<b>\$7,759,301</b>

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

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
Ad Valorem Taxes	\$ 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	\$ 5,470,155
Sales Taxes	2,972,668	3,221,286	3,441,064	3,576,233	4,153,560	4,989,105	5,929,819	4,653,940	3,854,804	5,401,018
Other Local Taxes/Fees	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	1,935,302
Service Charges	122,938	115,751	156,120	395,404	508,518	569,915	673,298	672,489	686,216	796,144
License & Permits	84,835	108,231	179,325	159,732	243,508	181,020	202,790	173,148	140,046	204,745
Fines & Forfeitures	246,081	263,954	359,096	483,929	457,731	486,678	476,939	489,252	464,628	367,930
Interest from Investments	64,960	76,316	56,087	43,262	87,332	152,191	134,030	78,460	31,582	32,797
Intergovernmental Revenues	392,970	65,890	295,889	125,861	523,173	883,906	385,352	209,656	309,615	268,736
Other Income	194,453	696,132	383,376	268,167	470,072	450,333	364,548	1,711,537	657,348	1,322,070
<b>Total Revenues</b>	<b>\$ 9,070,371</b>	<b>\$ 9,966,809</b>	<b>\$ 10,350,663</b>	<b>\$ 11,000,718</b>	<b>\$ 12,721,030</b>	<b>\$ 13,951,959</b>	<b>\$ 15,089,025</b>	<b>\$ 15,056,774</b>	<b>\$ 13,440,272</b>	<b>\$ 15,798,897</b>
<b>Expenditures</b>										
General Government	\$ 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	\$ 1,516,231
Community Development	564,683	329,327	337,168	341,412	675,742	270,842	351,506	376,869	366,368	313,163
Finance	439,901	420,917	419,019	404,466	435,367	434,032	432,879	375,468	402,465	399,691
Public Safety	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	7,373,057
Public Works	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	2,872,241
Non-Departmental	0	0	0	0	0	0	0	20,163	0	202,193
Capital Outlay	1,139,907	1,205,046	2,706,361	1,640,257	999,920	1,508,562	827,154	2,200,960	917,862	4,533,090
Debt Service:										
Principal	444,997	595,074	683,191	851,768	950,260	982,345	1,077,595	1,165,913	978,483	1,039,008
Interest	481,262	730,644	711,676	684,057	717,684	493,067	542,350	528,907	463,946	774,173
<b>Total Expenditures</b>	<b>\$ 12,039,132</b>	<b>\$ 12,649,240</b>	<b>\$ 14,904,767</b>	<b>\$ 14,815,112</b>	<b>\$ 14,991,609</b>	<b>\$ 15,693,611</b>	<b>\$ 15,273,782</b>	<b>\$ 16,247,242</b>	<b>\$ 14,815,885</b>	<b>\$ 19,022,847</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(2,968,761)</b>	<b>(2,682,431)</b>	<b>(4,554,104)</b>	<b>(3,814,394)</b>	<b>(2,270,579)</b>	<b>(1,741,652)</b>	<b>(184,757)</b>	<b>(1,190,468)</b>	<b>(1,375,613)</b>	<b>(3,223,950)</b>

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2010
<b>Other financing Sources (Uses):</b>										
Proceeds from Bond Issues	5,067,466	1,908,565	0	500,000	192,959	412,220	962,020	0	1,979,525	0
Proceeds from Leases	0	0	0	0	0	0	0	0	0	0
Funds transferred In	1,581,749	2,034,864	2,111,759	2,342,345	2,711,170	3,247,876	3,626,811	3,480,751	3,338,694	3,816,647
Funds transferred out	(213,628)	(1,259,180)	(885,608)	(408,355)	(853,915)	(1,211,264)	(1,563,354)	(1,501,522)	(1,336,243)	(1,709,703)
Total Other Financing Sources(Uses)	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	2,106,944
Net Change in Fund Balances	\$3,466,826	\$1,808	(\$3,327,953)	(\$1,380,404)	(\$220,365)	\$707,180	\$2,840,720	\$788,761	\$2,606,363	(\$1,117,006)
Debt Service as a percentage of Noncapital Expenditures	8.50%	11.58%	11.43%	11.66%	11.92%	10.40%	11.21%	12.07%	10.38%	12.51%

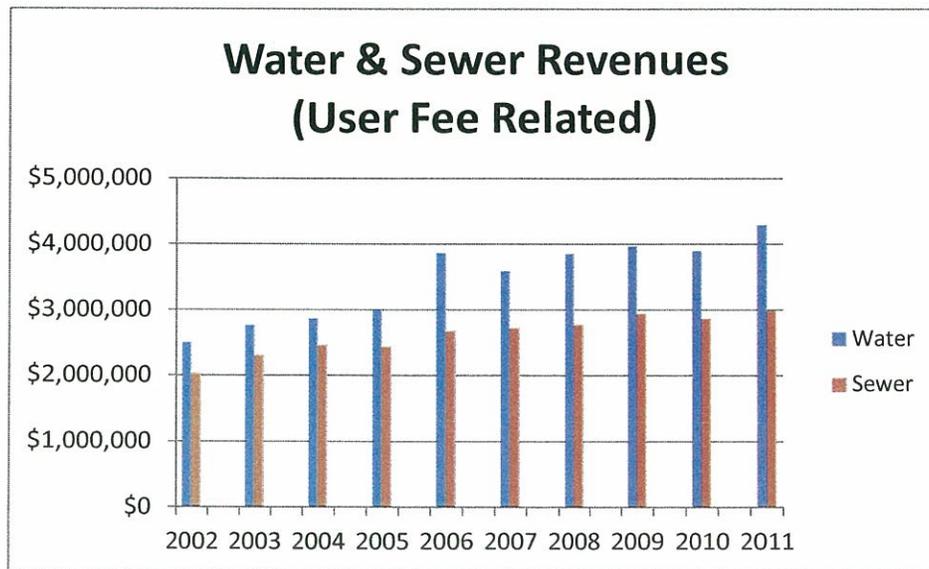
**City of Gainesville, Texas  
Water and Sewer Rates-Residential  
Last Ten Years**

<b>Fiscal Year</b>	<b>Water Base Charge</b> (per month)	<b>Water Rate</b> (per 1000 gals)	<b>Sewer Base Charge</b> (per month)	<b>Sewer Rate</b> (per 1000 gals)
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
2011	\$18.41	\$3.58	\$16.91	\$3.11

Source: City of Gainesville Customer Service

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

<b>Fiscal Year</b>	<b>Water Related Revenues</b>	<b>Sewer Related Revenues</b>	<b>Total</b>
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
2011	\$4,300,165	\$2,983,965	\$7,284,130



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

<b>Customer</b>	<b>2011</b>		<b>2002</b>	
	<b>Total Consumption For Customer (in gallons)</b>	<b>Rank</b>	<b>Total Consumption For Customer (in gallons)</b>	<b>Rank</b>
Weber Aircraft	17,558,680	1	10,936,200	4
Frank Buck Zoo	8,633,200	4	-	
Gainesville State School	10,531,000	3	12,965,010	2
North Central Texas College	10,623,500	2	6,682,060	7
Polypipe Inc	6,696,700	5		
Pecan Tree Manor	6,551,000	6	4,260,400	9
Sunset Village	4,085,020	10	3,584,700	10
North Texas Medical Center	5,200,590	7	-	
Molded Figerglass	4,743,300	9	-	
Gainesville Memorial Hospital	-	-	11,231,070	3
Gainesville Factory Shops	4,806,800	8	5,377,200	8
Wal-Mart	-	-	7,365,110	6
AEP	-	-	7,813,850	5
Gainesville ISD	-	-	16,115,780	1
Total Water Consumption	<b>79,429,790</b>		<b>86,331,380</b>	

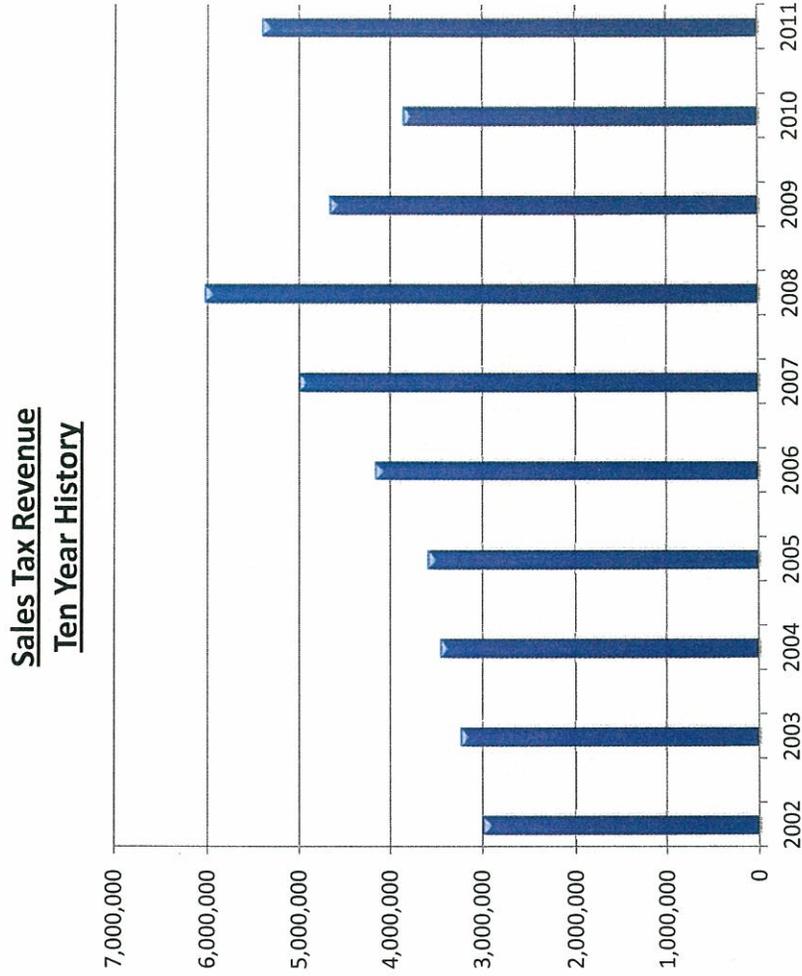
Source: City of Gainesville Customer Service

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

<b>Fiscal Year</b>	<b>State of Texas</b>	<b>Cooke County</b>	<b>City of Gainesville</b>	<b>Gainesville Economic Development</b>	<b>Totals</b>
2002	6.25%	0.50%	1.25%	0.25%	8.25%
2003	6.25%	0.50%	1.25%	0.25%	8.25%
2004	6.25%	0.50%	1.25%	0.25%	8.25%
2005	6.25%	0.50%	1.25%	0.25%	8.25%
2006	6.25%	0.50%	1.25%	0.25%	8.25%
2007	6.25%	0.50%	1.25%	0.25%	8.25%
2008	6.25%	0.50%	1.25%	0.25%	8.25%
2009	6.25%	0.50%	1.25%	0.25%	8.25%
2010	6.25%	0.50%	1.25%	0.25%	8.25%
2011	6.25%	0.50%	1.25%	0.25%	8.25%

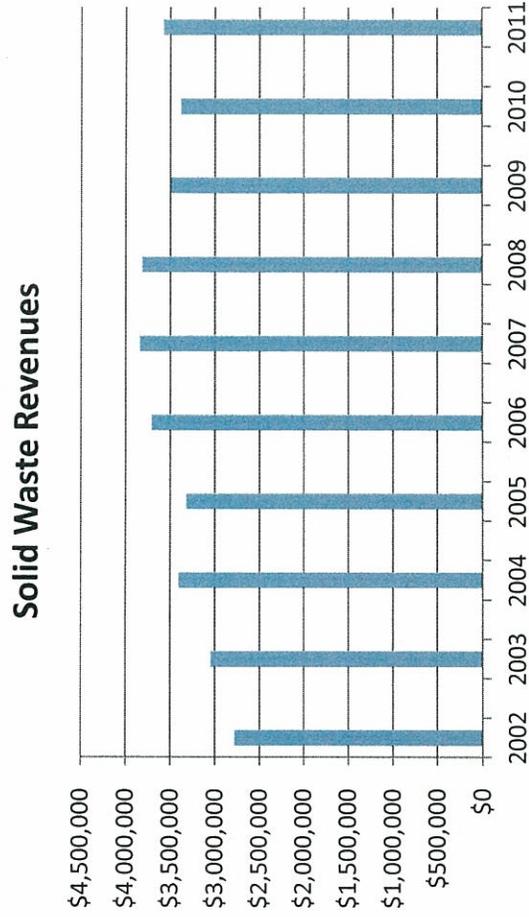
**City of Gainesville, Texas  
Sales Tax Revenue  
Last Ten Years**

<u>Fiscal Year</u>	<u>Sales Tax Revenue</u>
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
2011	5,401,018



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

Fiscal Year	Charges for Service Revenues
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
2011	\$3,579,640



**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	Assessed Value	Estimated Actual Value	Exemptions	Assessed Value	Estimated Actual Value	
2002	\$ 416,367,739	\$ 416,367,739	\$ 175,604,102	\$ 175,604,102	\$ 48,629,813	\$ 543,342,028	\$ 543,342,028	100.0%
2003	445,252,048	445,252,048	187,495,148	187,495,148	62,151,656	570,595,540	570,595,540	100.0%
2004	479,226,381	479,226,381	157,141,678	157,141,678	68,135,508	568,232,551	568,232,551	100.0%
2005	518,728,498	518,728,498	169,865,063	169,865,063	78,680,466	609,913,095	609,913,095	100.0%
2006	559,762,307	559,762,307	170,445,045	170,445,045	88,316,143	641,891,209	641,891,209	100.0%
2007	611,842,551	611,842,551	154,205,466	154,205,466	98,372,454	667,675,563	667,675,563	100.0%
2008	651,413,164	651,413,164	177,719,910	177,719,910	75,975,192	753,157,882	753,157,882	100.0%
2009	687,450,674	687,450,674	239,500,016	239,500,016	118,510,775	808,439,915	808,439,915	100.0%
2010	710,898,777	710,898,777	263,735,991	263,735,991	112,937,346	861,697,422	861,697,422	100.0%
2011	\$ 691,998,166	\$ 691,998,166	\$ 249,495,937	\$ 249,495,937	\$ 96,853,793	\$ 844,640,310	\$ 844,640,310	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	Debt Service Rate	Total City Rate	Operating Rate	Debt Service Rate	Total County Rate	Operating Rate	Debt Service Rate	Total School Rate	Operating Rate	Debt Service Rate	Total Other Rate	
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
2011	0.4324	0.2146	0.6470	0.3246	0.0327	0.3573	1.04000	0.23532	1.27532	1.1498	0.1003	1.2501	3.53

(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	2011			2002		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
The Boeing Company	26,731,270	1	3.16%			0.00%
Weber Aircraft	23,074,037	2	2.73%	29,627,280	1	5.44%
Wal-Mart	18,072,977	3	2.14%			0.00%
Building Materials Corp. of America	14,281,221	4	1.69%			0.00%
Polypipe Inc	9,449,645	6	1.12%	13,437,330	4	2.47%
B-29 Properties LLC	10,396,127	5	1.23%			0.00%
Oncor Electric	8,137,810	7	0.96%			0.00%
Spraylat Corporation	7,072,730	8	0.84%	10,580,180	5	1.94%
Home Depot USA Inc	6,679,945	9	0.79%			0.00%
Karl Klement Properties	6,477,813	10	0.77%			0.00%
Gainesville Factory Shops	-	-	#VALUE!	19,003,941	2	3.49%
A.E.P. Industries	-	-	#VALUE!	15,722,960	3	2.89%
Valenite Inc.	-	-	#VALUE!	7,825,220	6	1.44%
Southwestern Bell	-	-	#VALUE!	5,791,190	8	1.06%
TXU Electric	-	-	#VALUE!	7,766,660	7	1.43%
Petroflex	-	-	#VALUE!	4,270,980	9	0.78%
North Texas Economics	-	-	#VALUE!	4,244,844	10	0.78%
Total Assessed Valuation	\$130,373,575		15.44%	\$118,270,585		21.73%

Source: Cooke County Appraisal District

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

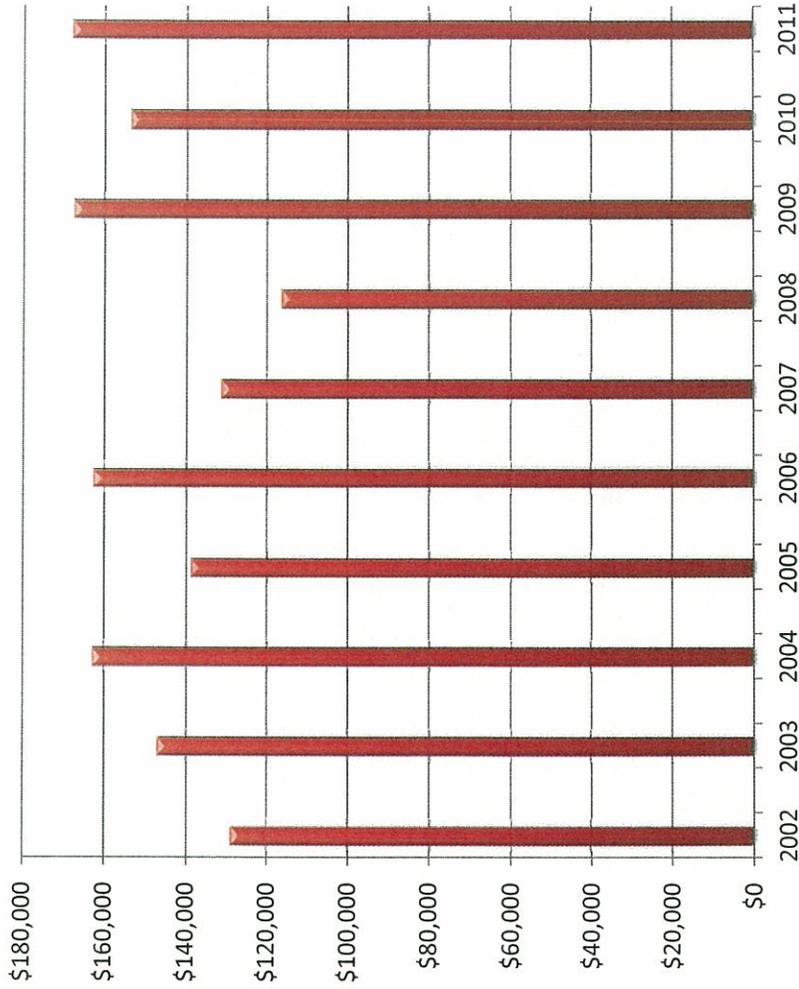
Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected (2)	Delinquent Tax Collections	Total Tax Collections	Ratio of		
						Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes (1)	
							Delinquent Taxes to Total Tax Levy	
2002	\$ 3,586,003	\$ 3,483,976	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%
2011	\$ 5,152,144	\$ 5,324,885	103.4%	\$ 99,375	\$ 5,424,259	105.3%	\$ 238,549	4.6%

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

(2) Percent of Current Taxes Collected to Tax Levy is often over 100% because the levy is calculated at a 95% collection rate.

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

<b>Fiscal Year</b>	<b>Delinquent Tax</b>	<b>Penalty &amp; Interest</b>	<b>Total</b>
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
2011	\$99,375	\$68,711	\$168,085



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

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percent of Personal Income	Per Capita	
	General Certificates			Notes Payable		General Certificates			Notes Payable					Capital Leases
	Obligation	Bonds	Leases	Obligation	Payable	Obligation	Bonds	Payable	Capital Leases					
2002	\$7,178,863	\$6,159,567	\$0	\$0	\$0	\$2,091,137	\$13,054,484	\$0	\$0	\$0	\$28,484,051	----	\$1,833	
2003	6,971,113	7,822,243	0	0	0	1,868,887	12,487,021	0	0	0	29,149,264	11.44%	1,876	
2004	6,700,775	7,409,389	0	0	0	1,809,225	11,893,667	0	0	0	27,813,056	10.83%	1,790	
2005	6,948,568	6,386,922	458,241	0	0	7,568,430	4,843,422	0	0	68,707	26,274,290	9.92%	1,691	
2006	6,637,059	5,922,431	371,597	58,205	0	7,364,940	4,332,308	0	0	93,529	24,780,069	8.95%	1,595	
2007	8,828,370	2,915,495	277,109	292,731	0	9,215,038	1,234,503	0	0	349,161	23,112,407	7.94%	1,487	
2008	8,397,156	3,528,036	171,093	153,237	0	14,365,160	2,101,360	0	0	252,821	28,968,863	9.81%	1,864	
2009	7,884,844	3,153,956	58,065	19,334	0	13,609,974	1,833,388	0	0	133,758	26,693,319	9.04%	1,718	
2010	7,426,912	4,753,901	0	13,231	0	12,716,873	4,361,674	395,000	0	61,086	29,728,677	9.07%	1,858	
2011	#####	\$7,320,852	\$0	\$6,793	\$0	\$6,846,997	\$1,301,401	\$300,000	\$13,586	\$27,576,383	8.41%	\$1,723		

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**

<b>Fiscal Year</b>	<b>Official Population (1)</b>	<b>Total Assessed Value (2)</b>	<b>Net General Obligation Debt (3)</b>	<b>Less Debt Service Fund (4)</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
2002	15,538	\$ 543,342,028	\$ 7,178,863	\$ 229,944	\$ 6,948,919	1.28%	\$ 447.22
2003	15,538	570,595,540	6,971,113	109,706	6,861,407	1.20%	441.59
2004	15,538	568,232,551	6,700,775	114,571	6,586,204	1.16%	423.88
2005	15,538	609,913,095	6,948,568	-9,147	6,957,715	1.14%	447.79
2006	15,538	641,891,209	6,637,059	361	6,636,698	1.03%	427.13
2007	15,538	667,675,563	8,828,370	227,401	8,600,969	1.29%	553.54
2008	15,538	753,157,882	8,397,156	367,712	8,029,444	1.07%	516.76
2009	15,538	808,439,915	7,884,844	495,975	7,388,869	0.91%	475.54
2010	16,002	861,697,422	7,426,912	682,392	6,744,520	0.78%	421.48
2011	16,002	\$ 844,640,310	\$ 11,786,754	\$ 682,392	\$ 11,104,362	1.31%	\$ 693.94

(1) From US Bureau of Census 2010 Census

(2) From Cooke County Appraisal District

(3) Excludes revenue bonds.

(4) Amount available for repayment of general obligation bonds.

**City of Gainesville, Texas**  
**Computation of Direct and Overlapping Bonded Debt**  
**General Obligation Bonds**  
**September 30, 2011**

Jurisdiction	Total Debt Outstanding	Estimated Percent Applicable	Direct and Overlapping Funded Debt As of 9/30/11
City of Gainesville	\$12,235,776	100.00%	\$12,235,776
<i>Overlapping Debt:</i>			
Cook County	\$8,130,000	33.19%	\$2,698,347
Gainesville ISD	\$35,510,588	99.39%	\$35,293,973
Gainesville Hospital District	\$23,645,000	36.63%	\$8,661,164
North Central Texas Community College	\$8,090,000	36.21%	\$2,929,389
Subtotal Overlapping Debt	<u>\$75,375,588</u>		<u>\$49,582,873</u>
<b>Total Direct and Overlapping Debt</b>	<u><u>\$87,611,364</u></u>		<u><u>\$61,818,649</u></u>
Ratio of direct and overlapping bonded debt to taxable assessed valuation			7.24%
Per capita direct and overlapping bonded debt			\$ 3,863

Source: First Southwest Company

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$59,187	\$63,275	\$63,637	\$68,859	\$73,021	\$76,605	\$75,316	\$80,844	\$86,170	\$84,464
Total Net Debt Applicable to Limit	9,040	8,730	8,395	14,526	14,002	17,816	22,394	20,999	19,462	17,790
Legal Debt Margin	\$50,147	\$54,545	\$55,242	\$54,333	\$59,019	\$58,789	\$52,922	\$59,845	\$66,708	\$66,674
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	15.27%	13.80%	13.19%	21.10%	19.18%	23.26%	29.73%	25.97%	22.59%	21.06%

**Legal Debt Margin Calculation for Fiscal Year 2011**

Assessed value	\$744,918
Add back: exempt real property	\$99,722
Total assessed value	<u>\$844,640</u>
Debt limit (10% to total assessed value)	\$84,464
Debt applicable to limit:	
General Obligation bonds	\$18,634
Less: Amount set aside for repayment of GO debt	<u>\$844</u>
Total net debt applicable to limit	<u>\$17,790</u>
Legal Debt Margin	<u><u>\$66,674</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	
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
2011	\$ 7,392,707	\$ 4,805,942	\$ 2,586,765	\$ 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)
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	16,002	327,752,964	20,482	34	2,771	77.90%	6.20%
2011	16,002	321,632,537	20,100	36	2,764	72.20%	5.10%

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

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

**City of Gainesville, Texas  
Ten Largest Employers  
Fiscal Year 2011 and 2002**

Employer	2011			2002		
	Number of Employees FTE	Rank	Percent of Total Employment	Number of Employees FTE	Rank	Percent of Total Employment
Weber Aircraft	1600	2	7.50%	810	1	4.62%
WinStar Casino	3000	1	14.06%			
Gainesville ISD	380	7	1.78%			
WalMart	427	3	2.00%	415	3	2.37%
North Central Texas College	-			225	6	1.28%
Gainesville State School	387	5	1.81%	348	4	1.98%
North Texas Medical Center	372	4	1.74%			
MFG	-					
City of Gainesville	223	9	1.05%	280	7	1.60%
Complete Energy	385	6	1.80%			
Gainesville Factory Shops	-			450	2	2.57%
Gainesville Hospital	-			311	5	1.77%
GTE - Valenite	-			128	9	0.73%
CSR Poly-Pipe	195	10	0.91%	78	10	0.44%
Cooke County	265	8	1.24%	185	8	1.05%
Totals	7,234			3,230		
Total Employment Cooke County	21,332			17,542		

Note: City employment totals are not available.

Source: Gainesville Economic Development Corporation

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

<b>Function</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
General Government	8	7	7	13	13	13	14	12	12	12
Economic Development	1	1	1	1	1	2	4	4	4	5
Community Services	9	9	9	6	5	5	6	5	5	3
Finance	5	5	5	5	5	5	5	4	4	4
Police	58	59	58	57	55	55	55	53	53	53
Fire	41	41	41	41	41	41	42	42	42	42
Public Works	58	52	44	44	36	37	---	---	---	---
Streets	---	---	---	---	---	---	11	7	8	7
Garage	---	---	---	---	---	---	5	4	4	4
Parks	---	---	---	---	---	---	14	13	13	13
Cemetery	---	---	---	---	---	---	5	5	5	5
Golf Course	8	8	7	7	9	9	9	8	8	7
Frank Buck Zoo	---	---	12	13	14	14	14	14	14	14
Water	26	23	23	23	24	24	28	21	21	20
Wastewater	17	19	19	19	18	18	18	18	18	17
Airport	3	3	3	3	3	3	4	3	3	3
Stormwater Utility	2	2	2	2	4	4	4	2	2	2
Solid Waste - Collection	22	22	12	12	13	13	12	12	12	12
Solid Waste - Disposal	7	7	6	6	5	5	5	3	3	2
<b>Total</b>	<b>265</b>	<b>258</b>	<b>249</b>	<b>252</b>	<b>246</b>	<b>248</b>	<b>255</b>	<b>230</b>	<b>231</b>	<b>225</b>

Source: City of Gainesville Human Resources department.

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

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

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Police</b>										
Calls for Service	21,421	25,562	29,345	32,283	35,286	31,350	30,830	36,480	39,749	41,769
Arrests	1,365	1,298	1,433	1,623	1,579	1,545	1,318	913	906	1,450
<b>Municipal Court</b>										
Cases Filed	4,916	4,630	5,325	6,537	6,078	5,480	6,157	6,438	5,264	6,328
Cases Disposed	3,178	5,827	5,372	6,891	6,056	6,095	5,867	6,433	6,434	5,854
Class C Warrants Filed	639	2,353	1,905	1,685	1,449	2,191	1,674	1,719	1,656	2,007
Juvenile Cases Filed	262	285	297	308	376	322	449	321	224	225
<b>Fire</b>										
Number of calls	---	733	677	824	890	791	761	667	711	958
Number of fires	---	147	120	199	208	108	137	136	120	195
Rescue/EMS incidents	---	84	94	126	112	146	140	165	173	224
<b>Streets</b>										
Potholes Patched	---	1,042	2,355	2,979	2,644	3,259	4,465	4,146	5,498	6,167
Storm drains cleaned	---	705	1,590	344	539	1,192	967	564	153	126
Miles of streets swept	---	---	---	---	1,240	1,068	1,052	711	527	613
<b>Golf Course</b>										
Rounds of golf	---	---	---	---	14,051	10,654	16,619	15,337	11,340	10,739
<b>Community Development</b>										
Building Permits	280	567	613	572	1,226	808	994	775	916	1,069
Value of Building Projects (in thousands)	6,081	24,024	16,187	27,835	20,949	8,429	14,625	1,350	3,008	6,170
Number of Inspections	---	1,517	1,847	1,628	1,859	2,897	1,742	1,265	1,074	1,590
<b>Finance</b>										
Number of invoices paid	11,409	8,656	7,773	7,419	6,935	6,734	6,760	6,295	6,467	6,723
Received CAFR award	Yes									
Received Budget Presentation award	N/A	Yes	Yes							
Number of Payroll checks prepared	6,797	6,667	6,721	6,726	6,584	6,134	6,215	6,023	6,080	6,154
<b>Water System</b>										
Number of water customers	---	6,008	---	5,938	6,097	6,015	6,022	6,089	6,079	6,065
New Connects	---	1,225	1,337	1,431	1,336	1,247	1,472	1,398	1,420	1,342
Daily average water consumption (mil gls)	2.6	2.6	2.6	2.6	2.6	1.9	2.4	2.2	2.4	2.0
Maximum daily pumping capacity (mil gls)	6.8	6.8	6.8	6.8	6.8	6.9	6.5	4.9	6.8	6.8
Maximum storage capacity (mil gls)	4.9	4.9	4.9	4.9	4.9	3.8	3.8	3.8	3.8	3.8
<b>Wastewater System</b>										
Number of wastewater customers	---	5,717	---	5,764	5,929	5,724	5,738	5,775	5,918	5,879
Daily average treatment(mil gls)	1.7	2.8	2.8	2.8	1.6	1.5	1.3	1.4	1.5	1.4
Maximum daily treatment capacity(mil gls)	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
<b>Airport</b>										
Gallons of aviation fuel pumped	310,000	310,432	261,659	261,815	255,544	292,994	287,528	235,378	230,375	248,265

Source: Various City departments.

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

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

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	---	---	---	---	9	15	15	15	15	16
<b>Fire</b>										
Stations	3	3	3	3	3	3	3	3	3	3
Fire Hydrants	650	700	800	850	850	850	850	850	850	968
Fire Vehicles	12	13	13	13	13	13	13	13	13	13
<b>Streets</b>										
Miles of streets	117	117	117	120	120	120	120	132	129.71	129.71
Miles of streets maintained by City	89	89	89	90	90	92	92	86	96	96
Street Lights	1403	1403	1452	1494	1506	1506	1565	1565	1581	1581
<b>Parks &amp; Recreation</b>										
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	215	215	202	202	202	202	202	212	212
Number of golf courses	1	1	1	1	1	1	1	1	1	1
Number of swimming pools	1	1	1	1	1	1	1	1	1	1
Number of zoos	1	1	1	1	1	1	1	1	1	1
<b>Water System</b>										
Miles of water mains	120	120	120	124	124	124	130	137.5	137.5	137.5
Number of Water Treatment Plants	1	1	1	1	1	1	1	1	1	1
<b>Wastewater System</b>										
Miles of wastewater mains	130	130	130	132	132	132	132	132	132	132
Miles of storm drainage mains	3	6	6	6	6	8	9	10	10	10
Number of Wastewater Treatment Plants	1	1	1	1	1	1	1	1	1	1

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sanitation										
Collection Trucks	---	---	14	14	14	14	14	13	9	12
Long Haul Trucks	2	4	5	5	5	5	5	5	4	4
Heavy Equipment Units	7	7	7	7	7	7	7	4	6	5
Vehicles	---	---	---	---	---	---	2	2	4	4
Carts (1)	0	0	0	0	0	0	0	400	5743	5891
Airport										
Airport acreage	1270	1270	1270	1336	1336	1336	1312	1308	1308	1317
Number of runways	2	2	2	2	2	2	2	2	2	2
Number of hangars	4	4	4	4	4	4	4	6	6	6

Source: Various City Departments

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

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



# Compliance Reports



**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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 1, 2010<sup>2</sup>. 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.

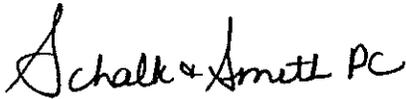
A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by City's internal control.

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 that reads "Schalk & Smith PC". The signature is written in a cursive, flowing style.

Schalk & Smith, PC  
February 1, 2012



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, 2011. 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, 2011.

Internal Control Over Compliance

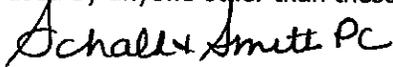
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance 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 1, 2012

**CITY OF GAINESVILLE, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2011**

<b>FEDERAL GRANTOR/ PASS THROUGH GRANTOR/PROGRAM TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>GRANTOR NUMBER</b>	<b>FEDERAL EXPENDITURES</b>
<b>FEDERAL AWARDS</b>			
<u>U. S. Department of Transportation</u>			
Passed Thru Texas Dept. of Transportation Airport Improvement Program	20.106	8XXAV014	\$ 366,561
Passed Thru Texas Dept. of Transportation Airport Improvement Program	20.106	M103GAINS	8,697
Airport Improvement Program	20.106	M003GAINS	2,127
Total U. S. Department of Transportation			<u>377,385</u>
<u>U. S. Department of Energy</u>			
Energy Efficiency & Conversation Block Grant	81.128	DEEE0000893	<u>36,890</u>
<u>U. S. Department of Homeland Security</u>			
Passed Thru Governor's Division of Emergency Management Performance Grant	97.042	2011EP00046	<u>45,939</u>
State Homeland Security Program	97.073	2008GET80034	24,062
State Homeland Security Program	97.073	2009SST90064	81,720
State Homeland Security Program	97.073	2010SST00008	20,015
Subtotal			<u>125,797</u>
Total U. S. Department of Homeland Security			<u>171,736</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 586,011</u>

**CITY OF GAINESVILLE, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**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, 2011**

**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	_____	X	no
Reportable condition(s) identified not considered to be material weaknesses?	_____	yes	_____	X	none reported
Noncompliance material to financial statements noted?	_____	yes	_____	X	no

**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified?	_____	yes	_____	X	no
Reportable condition(s) identified not considered to be material weaknesses?	_____	yes	_____	X	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	_____	X	no
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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?

X	yes	_____	no
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**Section II—Financial Statement Findings**

NONE

**Section III—Federal Award Findings and Questioned Costs**

NONE